

FINANCIAL TIMES

EUROPE'S BUSINESS NEWSPAPER

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Uruguay referendum
could upset a shaky
democracy, Page 4

Stocks	20.27	10.3100	Foreign	10.3100
Bavaria	10.3100	10.3100	S. Africa	10.3100
Belgium	10.3100	10.3100	Singapore	10.3100
Canada	10.3100	10.3100	Spain	10.3100
Czech	10.3100	10.3100	Switzerland	10.3100
Denmark	10.3100	10.3100	Taiwan	10.3100
France	10.3100	10.3100	Thailand	10.3100
Germany	10.3100	10.3100	Turkey	10.3100
Greece	10.3100	10.3100	USA	10.3100
Hong Kong	10.3100	10.3100		
India	10.3100	10.3100		

World News Business Summary

Indian move on Jaffna meets heavy resistance

At least 6,000 Indian troops including Gurkhas backed by artillery and armour were poised to launch the final attack on Tamil rebels massed for the battle in the Jaffna peninsula. An Indian official said 79 Indian soldiers had been killed, 17 were missing and more than 200 wounded in six days of fighting in the island's north and east. He said about 380 rebels had been killed.

All India Radio said Indian forces had pushed to within one kilometre of Jaffna municipal limits. Indian forces were fighting "house-to-house" using artillery and mortar fire but could not launch a final assault because of heavy resistance, land mines and concern over civilian casualties, the report said.

Governor resigns
Ratu Sir Penia Ganilau, Governor-General of Fiji, tendered his resignation to the Queen Elizabeth II "owing to the uncertainty of the political and constitutional situation in Fiji". The Queen accepted it with regret. Page 24

Burkina coup
A "popular front" seized power in Burkina Faso, according to an announcement on the West African country's official radio. The broadcast was heard in Ivory Coast, and was preceded by several hours of martial music.

EC warned
The EC Commission told European states they would have to co-operate to escape from a trap of sluggish growth and high unemployment and warned that they could not continue to depend on the US to buy European goods. Page 3

Bonn Unesco threat
The battle over the succession at Unesco heated up as West Germany threatened to quit the body. Mr. Axel Ahrbeck, M.P., Director-General, was re-elected. Moscow officials declined to confirm Soviet support for Mr. Ahrbeck's candidacy.

Tibetan protest
More than 1,000 Tibetan refugees gathered through Delhi to protest against what they called "China's repressive policy and violation of human rights".

Irish kidnap
A Dublin dentist, Mr. John O'Grady, son-in-law of one of the richest men in Ireland, was kidnapped by four men. The gang were believed to be asking for a £200,000 (£450,000) ransom.

Five-year deal
Belgium and East Germany signed a five-year economic co-operation pact on the last day of a three-day official visit to Brussels by Erich Honecker, the East German leader.

Son sacked
The Romanian Communist Youth Movement replaced Mr. Ceausescu as its head, prompting speculation about the future of his political career. Page 2

Palestinian fruit
Palestinian fruit may go on sale in Europe next year following reluctant Israeli agreement to permit Palestinian farmers in occupied territories to export to the EC under their own labels. Page 5

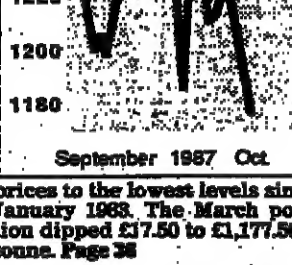
Debts cleared
The Soviet Union said it had paid off its arrears in UN contributions and was ready to pay further \$197m for peace-keeping action dating back to the Congo in the 1960s.

Sanctions support
Two thirds of black South Africans favoured sanctions as a means of bringing change to their country according to a recent opinion survey but 60 per cent did not want them if jobs were at risk. Page 5

Merck raises earnings by 37%

MERCK, large US pharmaceuticals group and Wall Street's wonder stock, reported an unstoppable 37.3 per cent increase in net earnings for the third quarter to \$227.6m. Page 25

COCOA: A fresh wave of speculative selling hit the cocoa futures market, sending share



prices to the lowest levels since January 1983. The March position dipped £17.50 to £1,177.50 a tonne. Page 28

WALL STREET: The Dow Jones industrial average closed down 57.51, the biggest two-session decline so far at 2,355.08. Page 48

LONDON: UK securities markets were shaken by the setback on Wall Street overnight but losses were quickly reduced when the transatlantic market turned better. At the close, the FTSE 100 index was 21 down at 2,301.9, and the FT Ordinary Index lost 21.5 to 1,312.9. Details. Page 48

TOEY: A wave of selling set in after Wall Street's overnight plunge. The Nikkei stock average lost 213.21 to 26,428.22 in reduced volume. Page 48

GOLD: fell \$1.50 on the London bullion market to \$465.00. In Zurich it rose to \$465.75 (\$460.45). Page 57

DOLLAR: closed in New York at DM1.8005, FF6.0705, Sfr1.5, ¥142.075. It fell in London to DM1.8005, FF6.0705, Sfr1.5, ¥142.075. On Bank of England figures dollar's exchange rate index fell 0.5 to 100.0. Page 57

STERLING: closed in New York at \$1.9625, it rose in London to \$1.9645, £1.5535, to DM2.9975, DM2.9975, ¥126.50 (¥125.70), and to FF19.0025 (FF19.0000), but fell to Sfr2.48 (Sfr2.4825). On Bank of England figures the dollar's exchange rate rose 0.2 to 73.5. Page 57

SAATCHI & Saatchi, world's largest advertising agency, is to part company with its most famous account, the British Conservative Party, worth £4m (£4m) in an election year. Page 12

EURO-TUNNEL: Partners in the Anglo-French Channel tunnel consortium, agreed to launch a £750m (£1.24bn) public offering of shares on November 16. Page 24

LOCKHEED, US west coast defence contractor which is struggling with a decline in orders, reported a 12.2 per cent fall in third-quarter earnings to \$101m or \$1.52 a share on a marginal increase in sales.

CONTINENTAL ILLINOIS, Chicago bank which nearly collapsed three years ago, reported a 46 per cent jump in net income to \$80.1m or 24 cents a share. Page 25

COCA-COLA, leading US soft drinks company, increased its net income by 16 per cent to \$271m or 72 cents a share in the third quarter from \$233m or 60 cents a year earlier. Page 25

Peru uses tanks to enforce new bank law

BY BARBARA DUNN IN LIMA

THE PERUVIAN Government, using tanks and teargas, has forcibly seized control of two private banks and a finance company in an attempt to enforce a new law nationalising 10 private banks and 23 credit and insurance houses.

Riot police, some firing teargas to disperse protesters, stormed the Banco de Credito, Peru's largest private commercial bank, as Economy Ministry administrators moved in, witnesses said.

President Alan Garcia proposed nationalising the private financial sector in July to give the Government control of credit and to reduce the dominance

of the country's four largest private financial groups. The new law was passed by Congress last weekend and became effective on Monday.

Mr Francisco Pardo, president of the Association of Banks which bitterly opposes the law, said: "Yesterday Peru stopped being democratic. This is a serious violation of constitutional rights."

A government communiqué confirmed that administrators had taken charge of the Banco de Credito, its associated finance house, Financiera de Credito, and the smaller Banco Wiese.

The administrative committee named by the Ministry of Economy and Finance to execute the takeover was reported to have ordered the action.

Police entered the Banco Wiese by breaking through a door while firing teargas canisters and smoke bombs to disperse reporters and bystanders.

A large police contingent also led the takeover of the suburban offices of the Financiera de Credito, a finance company associated with Banco de Credito.

Lima's city centre, where the two banks are located, was cordoned off by police and the banks were under heavy police guard.

The two administrative committees in charge of the takeovers told the directors and employees of both banks to leave the premises. After consultations, the presidents of the Banco de Credito and the Banco Wiese, Mr Dionisio Romero and Mr Guillermo Wiese, agreed to abandon their banks. They promised, however, that they would fight the takeovers in the courts.

The Government also shut down the stock exchange yesterday for two days to prevent transactions in any of the companies affected by the nationalisation.

Chemical Bank raises prime rate as dollar, bonds, equities fall

BY JANET BUSH IN LONDON AND RODERICK ORAM IN NEW YORK

CHEMICAL BANK yesterday raised its prime rate to 9.75 per cent from 9.25 per cent as bond markets worldwide continued to suffer heavy losses and fears that the transatlantic US trade deficit will force the dollar lower and prompt higher official interest rates.

Other major US banks were expected to follow Chemical's lead. US banks last raised their prime rates by a half percentage point from 8.75 per cent on October 7.

News of the prime rate rise hit world securities markets just as they had begun to regain some of their composure after the steep declines that followed Wednesday's news of a \$15.8bn US trade deficit in August.

Further steep falls on Wall Street in both the Treasury bond and equity markets yesterday had prompted a flurry of reassuring statements from the White House and US Federal Reserve officials which had helped markets claw back some ground.

The White House issued a statement saying US interest rates were not justified by current inflation prospects and should fall back, and Mr Manuel Johnson, Fed Vice Chairman, said the bond market reaction to fears of higher inflation might have been exaggerated.

The Fed's intervention in the US money market yesterday had helped markets. Its addition of liquidity through overnight system repurchases had been expected, but the fact that the Fed moved an hour earlier than usual was taken as a sign that the Fed did not want market interest rates to rise any further.

However, bond and equity markets immediately started to fall again and market interest rates to rise after Chemical Bank's move, which completely undermined the impact of the Fed's action and optimistic statements from US officials.

Chemical's move fuelled speculation that the Fed will eventually have to give in to market pressure for higher interest rates and raise its discount rate.

The positive tone emerging from the US authorities was in sharp contrast to remarks yesterday by Mr Karl Otto Poehl, President of the Bundesbank, West Germany's central bank.

Further underlining market fears about higher interest rates, he said the Bundesbank could not be excluded from the trend towards higher interest rates if it wanted to keep a grip on the domestic money supply.

Stewart Fleming adds from Washington: Mr James Baker, US Treasury Secretary, lashed out at recent policy decisions which have raised West German interest rates, saying that the US did not think these moves were in accordance with the spirit of last month's economic policy consultations between the seven leading industrial countries.

Emerging from a meeting with President Ronald Reagan, Mr Baker said the rise in bank interest rates was not of course a trend which he favoured and he did not think that

Continued on Page 24

Bonn rebuffs opposition from Poehl to 10% withholding tax

BY ANDREW FISHER IN FRANKFURT

MR Karl Otto Poehl, president of the West German Bundesbank, yesterday spoke out strongly against the controversial new withholding tax planned by the Bonn Government.

He said, in the central bank's first official reaction to the move, that it would weaken the international standing of West Germany as a financial centre and could considerably increase the cost of public borrowing.

In reply, the Government said it disagreed with his objections. The 10 per cent withholding tax on interest income has been agreed as part of the Government's financing for tax cuts in 1990. Yesterday, final touches were being put on the DM18bn (\$9.94bn) of tax reforms designed to help finance the DM280bn of overall tax cuts planned for 1990.

Mr Poehl's critical comments on the likely effects of the withholding tax, which is expected to raise just over DM 4bn, were made in a speech in Frankfurt about the future outlook for Germany.

They were rejected, however, by the Finance Ministry in Bonn, which said that Mr Gerhard Stoltenberg, the Finance Minister, did not share the doubts expressed by Mr Poehl. It said eight out of 12 EC members had much higher withholding taxes.

Mr Poehl said he feared that the new tax would cause the loss of raising interest rates in Germany. Yields on the bond market had already gone up, he added, although perhaps to an exaggerated extent.

Total state borrowings in Germany are about DM300bn, including the railways and post office. Mr Poehl said the effects of the new tax on the capital market could be serious, especially for the public sector.

Because foreign D-Mark Eurobonds and loans in other currencies would become more attractive to investors, Mr Poehl said there was a danger that the market would again be split, so that the state would find it more costly to raise money than foreign companies.

This was the case, he recalled, before the dropping a few years ago of the coupon tax which foreigners had to pay on interest from German domestic bonds.

"I only hope that we do not see a repeat of the curious situation where German public bodies use the D-Mark foreign loan market by means of foreign financing companies," he said.

He added that the introduction of the German tax gave even more urgency to the need to harmonise capital market-related taxes, at least within the EC. This would also be in the interests of the single European market being aimed at for 1992.

Continued on Page 24

Belgian Government tottering

BY TIM DICKSON IN BRUSSELS

BELGIUM'S centre-right coalition Government, unable to find a solution to its long-standing language dispute, was close to collapse last night after Mr Wilfried Martens, Prime Minister, tendered his resignation to the King.

In a move which looked like an "action replay" of events exactly a year ago, the Belgian monarch refused to accept the resignation and put his decision "into suspense", according to a Royal Palace spokesman.

Observers say the uncertainty could last several days - at least until the beginning of next week - as efforts are made behind the scenes to stave off the crisis.

Mr Martens is a master of survival who has commanded the

centre of the Belgian political stage since 1979 and held the present four-party coalition together against all the odds for the past two years. He has faced through tough budgetary overruns in a bid to reduce Belgium's huge public sector deficit, but his economic achievement has been matched by failure to solve the language issue.

The problem centres on Mr Jose Happort, a village mayor in one of the remotest parts of the country called Les Veureux (or Voeren in Dutch), who refuses to show that he has an adequate knowledge of the official Flemish language. The commune has a majority of French speakers like himself but for political

and historical reasons was transferred from Francophone Wallonia in the south to the Flemish-speaking region of Flanders to the north.

This issue has become a potent symbol of the cultural antagonism between the two regions, a rivalry which also arouses fierce political passions in the bilingual districts around Brussels.

Mr Happort's persistent refusal to accept a ruling of the Council of State - and his equal ability to get himself re-elected by his colleagues on the local council - has particularly infuriated Mr Martens' own Flemish-speaking Christian Democrats

Continued on Page 24



Bank employees in Lima flee police teargas bombs as the government imposes its nationalisation programme by force.

Soviets to soften stand on law for dissidents

By Patrick Cockburn in Moscow

THE Soviet Union plans to change or abolish two of the principal laws used against dissidents, Mr Vadim Zagladin, a senior Soviet official, said yesterday.

The two articles, 70 and 190 in the Soviet criminal code, cover anti-Soviet agitation and propaganda and defaming the state. They have been used frequently to imprison people holding dissident views.

Yesterday's statement, taken together with an amnesty announced on June 18 and the issuing of visas in recent days to a number of well-known Jewish "refuseniks," indicates that the Kremlin is now moving fast to defuse the human rights issue as a factor in its international relations.

Mr Zagladin, deputy head of the Communist Party's international department, speaking on an early-morning live television discussion programme with US senators and congressmen, said the articles would be changed.

"We are discussing whether one of them is even needed at all," he said.

Mr Zagladin said a commission of the Supreme Soviet was likely seriously to revise article 70 of the criminal code under which people have received up to 10 years in prison or labour camp for anti-Soviet agitation and propaganda.

Speaking of article 190, under which sentences of up to three years for defaming the state have been imposed, Mr Zagladin said: "We are discussing it. There are different views but we are studying whether it is needed at all."

The turning point in the treatment of dissidents was the release last December of Dr Andrei Sakharov, the most famous Soviet dissident, from exile in

Continued on Page 24

UN chief sets new deadline for Gulf war truce

BY ANDREW GOWERS, MIDDLE EAST EDITOR, IN LONDON

THE United Nations Security Council moved yesterday to revive its flagging bid to end the Gulf war. It further escalated the conflict by launching a missile at an American-operated tanker in Kuwaiti territorial waters.

Mr Javier Perez de Cuellar, the UN Secretary-General, announced in New York that he had been given new instructions to resume his mediation efforts between Iran and Iraq, and that he was giving both sides until the end of the month to respond to a detailed plan involving a ceasefire and the establishment of an impartial inquiry into responsibility for the war.

It seems likely that senior ministers from Tehran and Baghdad will be invited to the UN for consultations.

His confidential mandate, while still based on an earlier Security Council resolution ordering a ceasefire, appears to be somewhat more flexible than hitherto. The hope is that this will entice Iran, which has so far refused to accept the UN's peace calls but which has been coming under intense diplomatic and military pressure to comply in recent weeks, into negotiation.

While Iraq has said it conditionally accepts the call for a formal ceasefire, Tehran's position up to now has been that it would observe only an undeclared cessation of hostilities once an inquiry panel was set up.

This has left the Security Council divided as to its next step, with some members - notably the US and Britain - pressing for the drafting of an international arms embargo against Iran and others - principally the Soviet Union, China, Japan and West Germany - arguing that

more time should be allowed for negotiations.

Mr Perez de Cuellar's latest brief apparently makes no mention of an arms embargo, signalling that for the time being such a move is very much on the back burner.

In yesterday's attack, Iran fired a missile - possibly a Chinese-made Silkworm - at a Liberator-flag tanker, the 275,932-tonne Sungari, anchored at Kuwait's Mina al-Ahmedi oil terminal. The ship was set ablaze and it took five hours to douse the flames.

The incident was the first Iranian attack on a vessel inside Kuwaiti territorial waters. If a Silkworm was involved, it would also be the first time Iran had used the 1,000lb missile against Gulf shipping, although it did fire up to three Silkworms at Kuwaiti territory in early September, presumably from a missile battery Tehran is believed to have installed on the occupied Fao peninsula.

Yesterday's missile attack, which follows a long series of Iraqi strikes on Iranian oil shipping and two clashes between Iran and the US naval forces in the Gulf, came perilously close to a complex which serves as the hub of Kuwait's oil refining and exporting operations, and to four Kuwaiti tankers now flying the US flag. It was not clear whether it was aimed at either Kuwaiti lodged an immediate protest with the UN about the incident. But there was no immediate response from the US.

Technically, the Sungari is owned by a Liberian-based company, OMI Sungari Transport, and operated by an American subsidiary, Ogden Marine International. It did not seem likely, therefore, that Washington would feel the need to retaliate for the Iranian attack.

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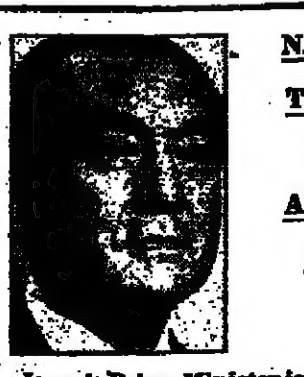
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Japan's Prime Minister is about to be replaced after a "bonus" year's service, Page 23

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EUROPEAN NEWS

EC gives go-ahead for Portuguese industrial plan

BY DIANA SMITH IN LISBON

PORTUGAL has received European Community backing for its intensive industrialisation plan for the next five years.

The Community has agreed between 1988 and 1992 to make available Ecu2bn for four purposes: infrastructure, job training, productive investment and efforts to increase productivity, modernise marketing and manufacturing techniques.

EC budget structures have meant that the commitment of grants for Portuguese industry has for the moment been confined to maximum use of Portugal's structural fund quotas in the European Development Fund (Feder) and the Social Fund (FSE) in 1988. The Feder will supply Portugal's maximum of Ecu 80m grants for the industrial sector.

The industry programme has taken a long time to get off the ground. The first version, submitted by the Cavaco Silva government in 1986, was over-ambitious. But ambitions were downgraded and more realistic targets set.

This week, it was agreed to get on with the programme as fast as possible, in view of the large gap between much of Portuguese manufacturing and EC averages.

About half the 1988-92 financial backing will come from Feder and the FSE; if the next EC Council of Ministers in Copenhagen agrees Portugal's fund quota will be expanded to double structural fund grants.

The other half will come from

loans from the European Investment Bank and New Community Instrument.

Portugal, as Europe's least wealthy member, has an Ecu700m, 10 year Agricultural Support Programme devised before accession, and destined to haul Portuguese farming out of its stagnation.

Portugal cut key interest rates by up to one per cent on yesterday in a bid to ease credit and encourage investment. Reuter reports from Lisbon.

Mr Miguel Cadilhe, the finance minister, said the cuts - the third set this year - would come into effect on today.

"These measures will be very positive for investment and home ownership... 1988 is going to be a good year for families and firms," he said after a cabinet meeting.

The maximum interest rate for all loans will drop to 18.50 per cent from 19.50 while the rate for time deposit savings of between six months and a year will be cut to 14 per cent from 14.50, Mr Cadilhe said.

He also said a so-called "crawling-peg" devaluation of the escudo against a basket of currencies would be slowed to 0.40 per cent a month from January against the current 0.50 per cent.

The measures were announced amid official forecasts that the economy will grow by at least four per cent this year, about the same as in 1986 and one of the highest rates in Europe.

Ceausescu's son replaced as head of youth league

BY JUDY DEMPSEY IN BELGRADE

THE ROMANIAN Communist Youth Movement has replaced Mr Nicolae Ceausescu as its head, prompting speculation about the future of his political career.

During a special session of the central committee of the Union of Communist Youth, 36-year-old Mr Ceausescu, who is the son of Mr Nicolae Ceausescu, the president and party leader, was removed and 'will be entrusted with other party duties.' Mr Ion Toma has been appointed as his successor.

Mr Ceausescu has led the

youth movement since 1963. It is assumed he will now automatically lose his government post as Minister of Youth Affairs. Reports from Bucharest say that he will be appointed a first secretary of a district party committee.

The president's son rose rapidly in both party and government ranks in recent years. He is a member of the party's political executive committee. At one stage there were suggestions that he was being groomed for the leadership, which is largely dominated by the Ceausescu family.

Poland criticises its Soviet airliners

By Christopher Bobinski in Warsaw

A POLISH newspaper has openly criticised the Soviet-built aircraft flown by Lot, Poland's state airline, and has called for their replacement with western airliners.

The article in the latest issue of the *Przeglad Tygodniowy* weekly comes after a crash by a Lot-owned Ilyushin 62M last May, and the subsequent dispute with the Soviet Union over maintenance and replacement of engines in other Ilyushins owned by Lot.

The article, however, reveals that the cost of replacing engines is so high that it is ineffective, after enhanced safety checks, and the higher fuel consumption of the aircraft means Lot has little chance of being competitive on western routes while sticking to Soviet equipment.

"Belts on the wings of our Ilyushins were found to be giving way. There were fuel leaks in our TU154s, our TU134s have problems with their engines, and the steering of our AN24s was found to be faulty," the article claims. "Let doesn't have good aircraft; indeed, it doesn't have any aircraft at the moment."

Many of Lot's Ilyushins have now been grounded and in an unprecedented decision, for an eastern European airline, Lot has hired a DC8 at the rate of \$2,500 an hour of flying time to keep open its North American routes.

Even a few weeks ago, it was thought that such a critical article would not be allowed to appear in the state-controlled media. The fact that it has been published elsewhere arguing for the purchase of western airliners.

Being allowed to leave Lot a 767 but even were the Polish airline to get permission from the Government for the deal, technology transfer restrictions in the US would still have to be overcome.

Electricity chart

The chart in yesterday's article on East German and French electricity industries should have been entitled Electricity Generation in 1986 and not Electricity Imports.

William Dullforce reports on a swing to environmental concerns in the opinion polls
Swiss elections take on a Green tinge

THE SWISS political establishment faces its strongest challenge in 28 years in this week's election to the federal parliament. Yet Switzerland's image of unparalleled political stability is unlikely even to be blurred.

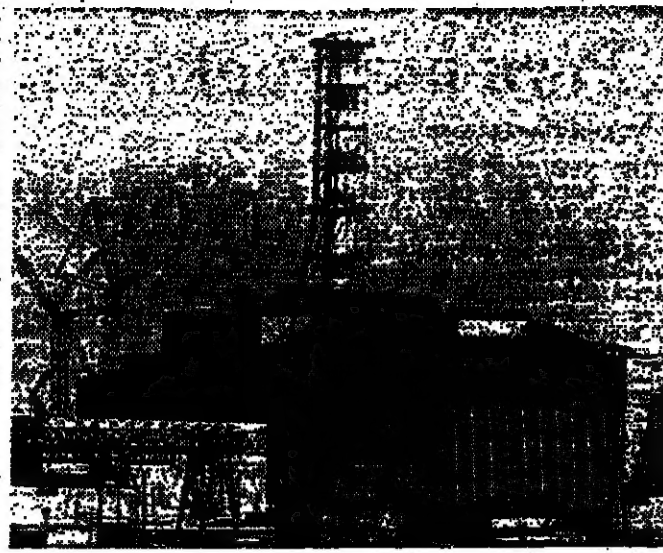
Opinion polls predict that all four parties in the ruling coalition - the Radicals, Socialists, Christian Democrats and People's Party - will lose seats, mainly to a combination of Green environmentalist groups with wind in their tails after the accident to the Soviet nuclear plant at Chernobyl and the polluting of the Rhine by Swiss chemicals.

When the count is announced on Sunday evening, however, the four big parties, which received more than 80 per cent of the votes to the two chambers in the 1983 election, will still be firmly entrenched in power.

In appearance, then, Swiss politics will be unchanged. The 'magic formula' of 2-2-2-1 under which the four parties have shared the seven seats on the Federal Council (government) since 1959 will continue.

In reality, however, in the conservative, evolutionary Swiss style, the result can signal change. The extent of the gains made by the Greens will indicate the directions Federal policy can take over the next four years, in particular on energy and transport, areas of importance for Swiss industry and commerce.

The Swiss political system operates by consensus. The four big parties in the centre absorb influence from the more volatile and often ephemeral political groupings around them. In this election campaign many big party candidates have taken a more pro-environmentalist stand, by conviction or tactically to counter the Greens' appeal to their regular supporters.



The automated Chernobyl reactor: a Swiss referendum is now planned on the use of nuclear power

Estimates of the gains the loosely allied Green group can make vary from five to as many as 20 in the 260-member National Council. Green leaders themselves more modestly hope for six or seven.

Even this would be something of a landslide in Swiss political terms. 'Changes in Switzerland are millimetric, this time we might see some centimetric changes,' one experienced observer commented.

In the outgoing National Council the Ecologist Party had only three members but had been joined by two other councillors to form a voting bloc of five. The three members of the Progressive Organisation (Pro), originally a Marxist-Leninist group, who formed a voting bloc with the one Communist and one autonomous

Socialist, changed their spots to Green and have conducted an environmentalist campaign. In some cantons they offer joint lists with the Greens.

There is a slight possibility that this combined Green force could end up with more seats in the National Council than the weakest partner in the ruling coalition, the People's Party, which placed 23 members in the outgoing legislature. Such a development could stimulate agitation against the four-party monopoly of power.

Every four years the Swiss elect by a complicated method of proportional representation 260 members to the National Council and 46 to the Council of States, the upper chamber in which each of the 26 cantons has two seats and each of the six half-cantons one seat.

The seven members of the Federal Council are then elected jointly by the two chambers and cannot be displaced during the four-year mandate.

Tradition also dictates that federal councillors from the previous administration wanting to remain in office will be re-elected. The system is designed to ensure stability. Only two new councillors will be elected this year.

It is widely said even among the political correspondents of the many Swiss newspapers in the Federal chancellery in Bern that the quality of the Federal Council has declined in recent years. The resignation of Mr Pierre Aubert, who held the foreign affairs portfolio, and of Mr Leon Schlumpf, responsible for transport and energy, are seen as offering an opportunity for parliament to reinforce the Government with two politicians of calibre.

Disenchantment with a pallid, slow-moving Federal Council, particularly among young voters, is said to be one reason for the low turnout in federal elections. Only 48.9 per cent of the electorate voted in 1983 - and that was a small improvement. Direct democracy is probably another reason. Voters know that most of the big issues ventilated during the election campaign will eventually be settled by national referenda.

With unemployment under 1 per cent, inflation under 2 per cent and per capita incomes the highest in Europe, there are no big economic issues. Swiss voters have told opinion pollsters that they give priority to the environment, the drugs problem, energy and pensions, in that order.

All these issues have been thoroughly ventilated in Swiss newspapers and in rather dull debates on television and radio.

Candidates themselves have raised questions about Switzerland's relationship with the European Community and its protective farm policy which is at stake in Gatt's current trade-liberalising negotiations.

They have argued over national transport policy, highlighted by a quarrel with Italy over heavy lorries transiting the Confederation and by the cutting of the St Gotthard motorway route in this summer's storms. None of these candidates' issues appear to have set the electorate alight.

The influx of refugees has not been spotlighted in public debate although this is a still smouldering issue. The right-wing National Action party, which had five seats in the last parliament, has run a campaign on the theme '1.2m foreigners (in a population of 6.3m) is enough'.

In cantonal elections during the last four-year parliamentary mandate the National Action and its fellow Vigilant Party made the largest gains after the Greens.

Most emotion - if one can talk of emotion in a Swiss election - has been expended, however, on environmental matters, especially on the 'death of the forests' allegedly caused by car exhaust gases, and on nuclear energy.

Switzerland has six nuclear power stations and depends on nuclear power, some imported from France, to provide 40 per cent of its electricity. After Chernobyl a moratorium was placed on new construction and a referendum is scheduled on the future of nuclear power.

After the weekend election the Swiss parliament will certainly be Greenier. The Green tinge may not be bright enough, however, seriously to worry the ruling political and corporate power bloc.

Greater role urged for France in Nato

BY IAN DAVIDSON IN PARIS

DR DAVID OWEN, former leader of Britain's Social Democratic Party (SDP), yesterday called for a reform of the military command structure of Nato to enable France to participate in the forward defence of West Germany.

In addition, he urged greater nuclear co-operation between Britain and France, not only on joint steps to make their nuclear forces more effective, but also on the co-ordination of their arms control policies.

Dr Owen was speaking in Paris at a conference on "Europe

and Defence," sponsored by the French Senate. The prospect of an agreement which would remove all intermediate-range nuclear forces from Europe was making it ever more important to strengthen the conventional 'defence of Europe,' he said. He welcomed the extension of Franco-German defence co-operation, including the proposal for a Franco-German brigade and the recent joint exercises in West Germany.

"But the problems for the defence of Europe lie not where they exercised in the mountain-

ous parts of southern Germany, where the US is strong, but in the flat North German plains where it is Western Europe's own conventional forces that are strained," said Dr Owen.

"There can be no doubt that a French commitment to the front line in northern Germany would be a massive strengthening of Western Europe's defence. If there could be a contribution as well from Spain's over-large army, that would be an additional bonus."

Dr Owen saw no purpose in

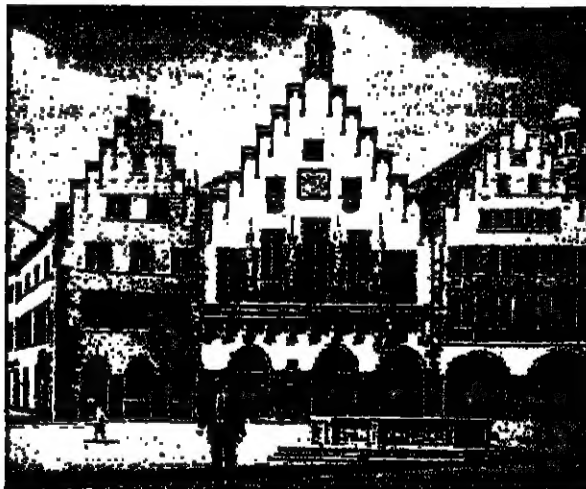
merely urging France and Spain to join Nato's integrated command structure. "They will not do so," he said. Nor did he support the idea that the Supreme Allied Commander of Nato (SACEUR) should be a European, since the post would have to be held by an American in time of war.

Instead, he proposed a downgrading of the significance of the role of SACEUR in peacetime, and a re-allocation of the regional commands so as to give the European members of Nato a more prominent part.

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Come to Italy.

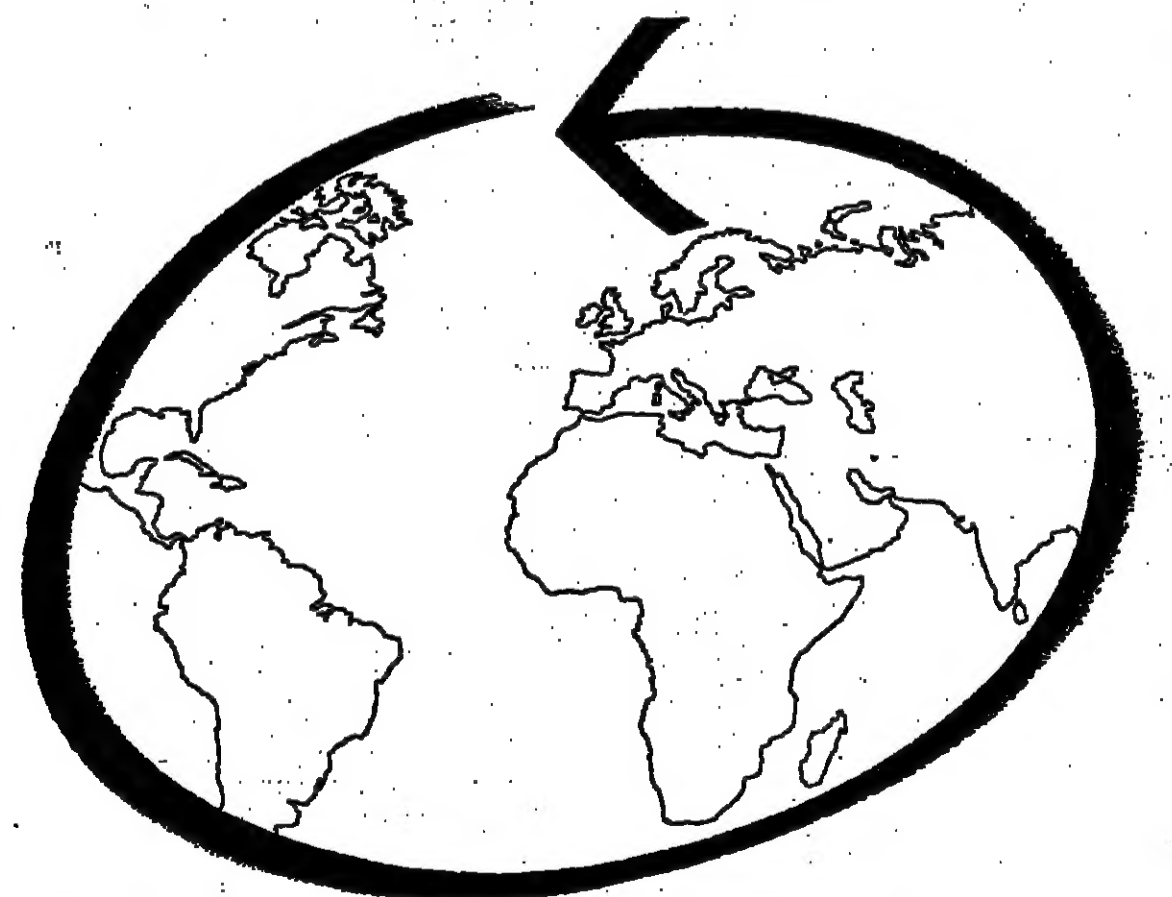


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EUROPEAN NEWS

EC faces years of high unemployment, warns Commission

BY WILLIAM DAWKINS IN BRUSSELS

THE European Community will have to live with intolerably high unemployment for years unless EC governments act fast to stimulate internal growth and improve economic co-operation.

This stark warning was delivered yesterday by the European Commission in its latest annual economic report, which calls on member states to implement a co-operative growth strategy to create more employment. Such a strategy would involve a more intensive special dialogue, more rapid progress towards scrapping internal trade barriers by 1990, and moves to attract more private capital to poorer member states.

That will be the only way to escape "from the trap of slow growth extending into the medium term into which the Community seems to have fallen," claims the report, which lays notably less emphasis than in the past on expansionary economic policies.

The study contains no more specific remedies for the Community's economic ills, a shortcoming which drew criticism from some economic observers. The EC's average growth rate has fallen from last year's 2.8 per cent to barely more than 2 per cent in the current year, where it will remain in 1988. This level of growth is just about sufficient to stabilise the

unemployment rate at nearly 12 per cent - an intolerable level, says the report.

One reason for the slowdown is governments' inability to stimulate internal demand in the wake of a sudden decline in exports, it argues. EC companies' international competitiveness has been hit by the relative strengthening of Community currencies, so that the EC's real effective exchange rate has climbed by 20 per cent over the past two years.

To make matters worse, the EC's traditional export markets have shown practically no growth. They are expected to recover slightly, but not nearly

enough to contribute to the Community's growth at a time when the EC can only look forward to a decline in domestic demand.

While differences in member states' economic performance are a perennial headache for policy-makers, the report does pinpoint a new threat. Spain, Portugal, Italy and the UK currently have growth rates of 3 per cent or more, well above the EC average. To keep their current accounts in balance, they may well be tempted to restrain internal growth if expansion remains weak among their EC trading partners - and "this would affect the whole Community," warns the report.

It calls for continued wage restraint, a gradual cut in taxes and a boost in "profitable public investment." However, the Commission fears that diverging policies on public debt between the 12 carries "serious risks" of limiting all member states' room for manoeuvre.

Here, member states have split into two clear groups: Belgium, Ireland, Italy, Greece, Portugal, Spain and the Netherlands, where the government deficit is between 5 per cent and 10 per cent of gross domestic product (GDP) and growing; and the other five member states, where the budgetary situation is easier.

The danger is that countries with high public debts might stifle their own growth in their attempts to tighten up public finances, thereby harming their partners' prospects. The answer, says the Commission, is for the less-indebted governments to seek a "co-operative solution" which would "actively support growth."

The report contains clear criticisms of the economic policies of at least two member states. West Germany and the UK. It says Bonn has made "scant progress" in dismantling subsidies for industries with "no future whatsoever." The Commission also calls on West Germany to

reconsider its tight rein on public spending to prevent a further decline in employment and to avoid a slowdown in the process of renewing productive capacity.

Britain is singled out for its continued "rapid rise in per capita earnings and unit labour costs," which the Commission says is a worrying development. A long period of exchange rate stability could help to moderate wages by reducing inflationary expectations. But to achieve that, says Brussels, Britain should join the European Monetary System.

Wage curbs seen as key to growth in Sweden

By Sara Webb in Stockholm

THE SWEDISH economy can look forward to continued strong growth, increased investment and low unemployment, provided price and wage increases can be kept in check, according to the government's forecast released yesterday.

Mr Erik Asbrink, Under-Secretary of State in the Finance Department, stressed that wage increases would have to be brought under tighter control. The Government is prepared to withdraw its proposal to increase payroll taxes by 1.3 per cent next year provided a low wage agreement for 1988 can be concluded, he said.

The Government is also due to present its guidelines on wage increase ceilings for the public sector soon.

According to the forecast, economic growth is expected to be 2.8 per cent in 1987. Hourly wages will increase by just over 6 per cent while consumer prices will increase by 4 per cent (December 1986 to December 1987).

Unemployment is expected to be 2 per cent for 1987. The current account on the balance of payments is expected to fall to SKr1.9bn (2161m), from SKr6.6bn last year.

The government forecasts for 1988 and 1989 were more guarded, however. Mr Asbrink said that if hourly wage increases could be kept to 3 per cent, economic growth could be 2.3 per cent in 1988 and 2.7 per cent in 1989, with consumer prices rising by 2.9 per cent.

The balance of payments current account would be minus SKr3.5bn in 1988 and minus SKr3.8bn in 1989.

On a more pessimistic note, if wages increase by 6 per cent in 1988, economic growth would only be 2 per cent next year and 1 per cent in 1989. Consumer prices would be expected to rise by 5.4 per cent while the current account on the balance of payments would be minus SKr6.1bn next year and minus SKr11.5bn in 1989.

FT's Italian award

Alan Friedman, Financial Times correspondent in Milan, has been named Foreign Correspondent of the Year in the Premio Trento, one of Italy's major press awards, for his reporting on Italian affairs.

Opposition urges Kohl to visit East Berlin

BY DAVID MARSH AND PETER BRUCE IN BONN

THE CHAIRMAN of West Germany's opposition Social Democratic Party, Mr Hans-Jochen Vogel, has called on Chancellor Helmut Kohl to visit East Berlin when he makes his expected trip to East Germany next year.

Mr Kohl has accepted the idea of paying a return visit to East Germany following the ground-breaking trip to the Federal Republic last month by Mr Erich Honecker, the East German leader. But the issue of whether the Chancellor should go to the eastern half of the divided city, or meet Mr Honecker elsewhere in the country, is a delicate one since West Germany does not formally recognise East Berlin as the capital

of the East German state. However, in an interview with the Financial Times, Mr Vogel spoke out in favour of Mr Kohl going to East Berlin for what would be a "working visit".

Mr Honecker's reception last month in Bonn with full military honours was also carefully labelled as a "working" trip rather than a fully-fledged state visit. Although this amounted to full de facto recognition of Mr Honecker's credentials as leader of the East German state, it avoided head-on conflict with the West German policy that the two countries are in a state of dormant unity.

Mr Vogel said the views of the allied powers which formally run the city would have to be

taken into account. But he pointed out that Mr Laurent Fabius, former Prime Minister of France, one of the signatories of the four-power agreement of Berlin in 1971, previously visited East Berlin without interfering with the city's delicate status.

The Social Democratic leader said he did not dispute the aim set down in the federal Basic Law (provisional constitution), of maintaining the unity of the nation, even though it was split into two states.

Separately, in a Bundestag debate yesterday, Mr Kohl drew a positive picture of the state of East-West German relations. As many as 5m trips by East Germans to West Germany could be

expected this year, 1m of them by people other than pensioners who are allowed more liberal travel arrangements.

Speaking in the same debate, Mr Vogel said that the SPD shared a common line with the government on some aspects of policies vis-a-vis East Germany. But he pointed out that the Kohl government's progress in relations with East Berlin marked a change from the right's policies during the last decade.

Current advances were based on agreements normalising relations with East Germany pushed through against the opposition of the right during the 1970s under the previous SPD-led government, he said.

Bonn threat to quit Unesco

By David Marsh

THE BATTLE over the succession at Unesco headed up yesterday as West Germany threatened to quit if Mr Andreas Mahrer, Bonn's re-elected director general.

Mr Mahrer, a former State Minister at the Chancellor's office, said yesterday that Mr M'bow had followed an "imperial" policy at Unesco. He confirmed that Bonn was working energetically to support the Spanish Mr Frederico Mayor to succeed him in his post in the final round of elections this evening.

Mr Mayor, a centre-right member of the European Parliament, is a former Education Minister and Unesco deputy director-general.

Chancellor Helmut Kohl voiced strong opposition to Mr M'bow's campaign for re-election at Wednesday's cabinet meeting and promised "consequences" if the controversial Senegalese were to secure a third term.

West German officials yesterday pulled back from saying definitively that Bonn would quit Unesco if Mr M'bow, who is strongly supported by Africa and Asian countries, were to win. Bonn's clear strategy is to hope that combined opposition from Western countries, which have all made their anti-M'bow position clear in recent years, will be enough to push through an alternative candidate when the Unesco executive committee meets on November 7 to decide a new director general.

Poor trade figures hit French markets

BY GEORGE GRAHAM IN PARIS

FRENCH MARKETS plunged yesterday following the announcement of a large foreign trade deficit and in the wake of Wednesday's drop on Wall Street.

The trade deficit increased to FF2.4bn (240m) in September after seasonal adjustments, bringing the total deficit in the first nine months of the year to FF2.2bn. In the same period of 1986, France had a trade deficit of only FF1.8bn.

The Government announced at the same time that the rate of inflation in the 12 months to September had fallen to 3.5 per cent from 3.5 per cent the previous month, following a 0.1 per cent rise in prices last month. This relatively encouraging result did not, however, prevent French bond and equity markets from diving sharply.

The Matif, Paris's financial futures market, had to close at noon when the fall in prices exceeded the 2 per cent limit allowed in a single day.

In the stock market, prices fell by 4.4 per cent, taking the drop so far this month to nearly 10 per cent. In the money market, the French franc fell, dragged down partly by the sliding US dollar. At the stock exchange, the D-Mark, down 0.5 centimes from the previous day.

Dealers said the Bank of France had intervened in support of the French currency, even though it is still well above its central rate within the exchange rate mechanism of the European Monetary System. The French Government

sought to calm the markets, indicating that it considered the collapse of the stock market as "irrational" in view of the likely rise in corporate profits this year.

Officials said they did not believe the Government's ambitious privatisation programme had drained too much cash from the market, since most of the receipts were recycled either through the redemption of state debt or through capital grants to state companies which would otherwise have had to borrow from the market.

Mr Xavier Dupont, chairman of the Paris stock exchange, said that the market's fall was excessive, and urged investors to maintain their long-term view.

Finance Ministry officials have tried to prepare the markets for the worse-than-expected trade figures by vigorously attacking the "absurd" importance attached by the markets to a single month's figures.

But the sharp fall in France's trade performance had a stronger impact on the market because of the relative improvement of recent months. France returned to a deficit of FF900m in trade in industrial goods last month, after a surplus of FF1.2bn in August. The surplus in cars fell sharply from FF1.1bn to FF600m, while sales of Airbus airliners were also low in the month.

A civil servants' strike yesterday closed many schools throughout France, disrupted mail delivery but had little effect on national transport, trade union officials said. Reuter reports from Paris.

Soviet strike highlights reform problems

BY PATRICK COCKBURN IN MOSCOW

A THREE-DAY strike by workers in a Soviet bus manufacturing plant in protest at a drop in wages and longer working hours has highlighted shopfloor resistance in some aspects of the economic reforms being introduced by Mr Mikhail Gorbachev.

The strike at the plant in Liki-no, close to the Ural mountains, underlines resentment among many Soviet manual workers at a sharp fall in their standard of living as a result of the Kremlin's efficiency drive.

At Liki-no the trouble started when workers found their pay cut by Roubles 60-70 (260-270) a month because Gosplan, the new state quality control organisation which started to operate in the plant a year ago, would not accept many of the buses

coming off the assembly line.

Mr Alexei Negosov, a worker at the plant, told the weekly Moscow News. "The number of buses coming off the conveyor belt decreased. Instead of 32-34 a day we were making 20-25 so we were not getting our bonuses any longer. I used to make an extra 100 roubles. Everybody lost at least 60 to 70 roubles."

Even at this rate of production, Mr Negosov said the workforce had to work an extra two or three hours a day and all weekend to meet their target. Previously, the bus plant fulfilled its plan by producing vehicles which had up to 40 or 50 parts missing.

But, according to Mr Negosov, the cause of the strike was the feeling among workers, confirmed by the management, that

it was impossible for them to produce vehicles of acceptable quality because of obsolete machine tools, some of which were 40 years old.

Mr Gennady Tarulenkov, the general director of the Liki-no bus factory, who took over after his predecessor was fired following the strike, says the problem is that the plant has needed to be re-equipped for at least 10 years. In 1981, the Ministry for the Motor Industry cancelled a plan to give the plant extra space.

According to a Gosplan official who had worked in the factory for 30 years before being put in charge of quality control, "The factory has been producing the same model bus since June 1970 and practically nothing has changed since then. The

machine tools in the compressor section are over 40 years old. How can you talk about quality in these circumstances?"

Soviet pay policy since Mr Gorbachev came to power in 1985 has been to increase differentials between manual and skilled white-collar workers and at the same time to link pay to productivity. Gosplan ensures that productivity of reasonable quality goods is now much more closely monitored than in the past.

This policy is clearly squeezing traditional factory workers particularly in an obsolescent plant with a long history of underinvestment in capital equipment. The result is an increase in social conflict, such as the Liki-no strike.



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AMERICAN NEWS

Alfonsín repeats call for cut in debt interest rates

BY TIM COONE IN BUENOS AIRES

PRESIDENT RAUL Alfonsín has reiterated his call for a reduction in interest rates payable on Argentina's foreign debt "to at least half their present values".

The loss that this would imply to the banks, he said, should be considered a "contribution by the industrialised economies which are responsible for the present disequilibrium in interest rates".

Speaking on national television on Wednesday night, President Alfonsín reiterated that there would be no unilateral action by Argentina on the foreign debt issue.

"We shall continue negotiating, but with firmness," he said. "If we had done otherwise we would now be facing disaster."

He said the problem of the foreign debt, the fall in commodity prices and the battle over income distribution had created an "inflationary bomb

in the midst of Argentine society."

Defending the package of economic measures announced earlier in the day, he said their prime objective was "to defuse the bomb". A political pact with the opposition parties, the trade unions and industrial leaders was "absolutely indispensable" for the subsequent renewal of inflation.

President Alfonsín has been attempting since the beginning of the year to put together a form of "social contract" with opposition groups in which basic agreements would be reached on prices and incomes policy and future wage negotiations.

This has failed because of a lack of consensus on key issues such as the handling of the foreign debt negotiations and income distribution.

The General Confederation of Workers (CGT) announced yesterday the strike planned for today had been called off. The economic package included a 75 per cent increase in the minimum wage and a 15 per cent increase for other wage scales.

Mr Saul Ubaldini, the CGT general secretary, said however that the measures did not satisfy the needs of the workers and that he would be recommending industrial action to his executive committee when it met later this month.

Mr Antonio Caffero, the head of the Peronist opposition, said the plan would have to be given "a couple of months" to see how it worked.

Mr Eduardo de la Fuente, the head of the Argentine Industrial Union (UIA) said: "We shall have to wait and see how the financial markets react. If (local) interest rates go down, then this will stimulate investment. If they rise, this will be very negative."

Brock confirms Dole move

THE US Secretary of Labour, Mr William E. Brock, confirmed yesterday he would resign from President Ronald Reagan's Cabinet, AP reports from Washington.

He did so in an announcement which was his first campaign speech for his next boss, Republican presidential hopeful Senator Robert Dole.

Mr Brock said: "This is not a decision made lightly. He is to become Mr Dole's campaign chairman on November 1 when he leaves the cabinet."

I am deeply concerned about the enormous range and complexity of issues facing our nation," he said. "Senator Dole's extraordinary personal leadership made the decision imperative."

Mr Brock, 58, is the second cabinet official to resign to work full time on Mr Dole's drive for the Republican presidential nomination. Mr Dole's wife, Elizabeth, resigned as transportation secretary at the beginning of the month.

Mr Brock is a former Republican party national chairman widely credited with rebuilding the party after the Watergate scandal during the administration of Mr Richard Nixon.

Inflation of 200% a year looms in Brazil

BY VIVO DAWWAY IN RIO DE JANEIRO

INFLATION in Brazil looks likely to surge again to 8.5 per cent in October - just less than 200 per cent a year - and 15 per cent in November, according to estimates compiled by the IBGE, the official statistical service.

As the temporary price freeze imposed in June by Mr Luis Carlos Bresser, the Finance Minister, begins to be lifted, a series of sharp increases in costs are feeding through into the economy.

When the freeze was introduced, inflation at 28 per cent in June dropped back to single figures, recording 5.68 per cent last month.

The main impetus behind the surge is believed to be rises in rents, up 35 per cent in São Paulo and 25 per cent in Rio de Janeiro. Other increases include a 10 per cent rise in electricity, petrol and alcohol fuels (30 per cent), milk (16 per cent) and telephone charges (6 per cent).

The cost of living index is projected to rise by 8.5 per cent in October, with many groups of workers seeking increases of more than 50 per cent. There is also pressure on interest rates with the permanent Central Bank (LBC) expected to raise to 8.25 per cent this month

and overnight rates nearing 12 per cent on a monthly basis.

Political and economic uncertainty is provoking mounting criticism of the administration of President José Sarney. In his most outspoken public statement yet, former President General João Figueiredo warned this week that the government faced a "tidal wave" of social conflict if it failed to address critical issues.

"A government which re-launches itself every three months and which already has seven economic and administrative plans does not merit the credibility it is seeking," he said.

The warning follows a cover story in *Veja*, Brazil's most authoritative news magazine, voicing the opinions of Professor Mario Henrique Simonsen, the finance and planning minister.

Prof Simonsen warned that failure to adopt free-market economics was threatening both enterprise and the country's economic survival.

"A democratic regime based on a pharisaic, spendthrift and irresponsible central machine which fortifies the state will have the same destiny as its predecessor - collapse."

US retail figures hit by big fall in car sales

US retail sales fell by 0.4 per cent in September largely due to a sharp drop in car sales, the Commerce Department said yesterday. Retailer reports from Washington.

Car dealer sales fell by 1.4 per cent last month after a 5.7 per cent surge in August. September car sales were 12.5 per cent lower than one year ago, it added.

Excluding car sales, retail sales were down by only 0.1 per cent, the department said.

Declining sales could mean US consumers are curbing their appetite for imported goods. On Wednesday, the Government said the US trade deficit narrowed to \$15.82bn in August, down from \$16.47bn.

But the monthly deficit was larger than had been expected, and the more modest annual deficit of \$15.82bn in August, down from \$16.47bn.

The dollar fell in currency markets and Wall Street stocks suffered their biggest one-day loss ever.

Despite the large decline in car sales, the September retail drop was smaller than financial analysts had anticipated. Analysts had expected an 0.7 per cent drop.

The September decline in sales totalled \$597m and brought sales to a seasonally adjusted \$122.76bn. September sales were 0.1 per cent below year-ago levels, the department said.

US cuts back oil imports from Iran

US IMPORTS of Iranian crude oil fell sharply in August to 1.1 million barrels a day, the lowest level since the 1973 oil crisis, the Commerce Department said yesterday.

The US cut back on oil imports from Iran to 1.1 million barrels a day in August from 2.1 million barrels a day in July, when they were at their highest monthly level since the 1973 oil crisis, the department said in its monthly report.

Debt talks call

COSTA RICA will ask creditors to resume formal talks when it meets its advisory committee on October 22 and 23 in New York, a Costa Rican Finance Ministry official said yesterday.

The official said the country's debt crisis, the department said in its monthly report.

A referendum could upset a shaky democracy, Tim Coone reports

Uruguay army comes under debate

A SCORE of US soldiers were sitting around the lobby of the Colombia Palace Hotel in Montevideo, overlooking the River Plate, dressed unobtrusively in civilian clothes and drinking cooled Pilsner beer.



Their haircuts, conversation and irrepressible habit of saluting each other and calling some of their number "de" quickly gave them away as US servicemen who, it transpired, were on attachment to the Uruguayan armed forces for the latest round of the annual joint naval manoeuvres.

Outside, 150 Uruguayan soldiers paraded in formation along the waterfront esplanade, automatic rifles across their chests, swinging arms and legs in rhythm to a march which died out by a shabby-looking military band. A hotel waiter shrugged. "They do this all the time," he said. Their presence passed almost unnoticed by the US servicemen.

The role of Uruguay's armed forces, as perceived by the US, is to lead regional support to the collection of over 500,000 signatures. This is sufficient to force the Government to hold a plebiscite on the issue.

Under Uruguay's constitution a referendum on any political issue has to be held if 25 per cent of the electorate petition for it.

The amnesty was pushed through Congress last December, under pressure from the armed forces who threatened to defy the civilian courts if any of their number were called upon to testify on charges of human rights abuses committed during military rule. The amnesty also solves the military officers responsible without the crimes being investigated.

The petition campaign was immediately launched by families of prisoners who had disappeared and of survivors of the torture chambers. "There can be no true democracy without

justice," says Maria "Tota" Quintana, whose daughter Elena was dragged out of the Venezuelan embassy in 1976 where she had sought asylum and refuge from security forces.

She later "disappeared", and the incident caused a nine-year rupture in diplomatic relations between Venezuela and Uruguay. Mrs Quintana is now one of the organisers of the referendum campaign. "I cannot rest until I know for sure what happened to Elena. Admittedly I know in my heart she is dead, but even now every time I hear the doorbell ring a hope jumps in me that it might be her," she said.

For President Julio Sanguinetti, a referendum to overturn the amnesty will threaten Uruguay's shaky democracy and he accuses those who organise the campaign of being anti-democratic and political opportunists. In a journal published last July by members of his Colorado Party he wrote: "Today we see them invoking human rights simply to gloss over the fact that at the same time weaken the forces which the state has for its defence."

Such statements please the army, but contrast with the public perception of the issue. Last month when a bank clerk recognised one of the customers she was serving as one of her former torturers, she broke down crying and screaming. The man, a former army doctor who was recently condemned by a medical ethics tribunal, left the bank hurriedly, followed by a chorus of boos and curses from other bank employees and customers.

Dr Juan Vicente Chiarini, the Minister of Defence, then produced a further howl of outrage from the public and legislators when, in announcing the incident, he pronounced that the reaction of the public in the bank was a denial of the army doctor's human rights.

Further fuel was added to the debate on the army's role at the end of last month with the publication of a leaked document purporting to be a transcript of a meeting between the president and 218 army officers last May. During the meeting a lieutenant reportedly said to the president: "Unfortunately, one day (the Marxists) are going to get to power, even through elections, which will represent an undeniable threat to our way of life." The president said he was not the founder of preserving Marxist-orientated parties, however. An army spokesman confirmed that the meeting had taken place.

The Communist Party, a member of the broad-front coalition Frente Amplio, is one of the parties supporting the referendum campaign, although the organisers of the campaign point out that it has cross-party support including even members of President Sanguinetti's own party. The latest figures show that almost 40 per cent of the electorate support the campaign, although the proportion is considerably lower in the countryside. The petition has until December to be presented and the organisers are intending to collect over 600,000 signatures to allow a wide margin of error for mistakes and duplications.

There is now a sense of inevitability about the referendum even within the government. An editor of the Colorado Party journal said that the president has already begun preparing his campaign for a "no" vote to keep the amnesty in force. "Sanguinetti is confident he will win," he said.

The campaign organisers are equally sure of victory in the plebiscite, pointing out that six months ago the president was declaring with complete confidence that the petition campaign would fail. "The people voted against the military in a plebiscite in 1985 and will again now," said Mrs Quintana.

Duarte seeks continued US financial aid

BY LONEL BARBER IN WASHINGTON

PRESIDENT Napoleon Duarte of El Salvador is pressing the US during his three-day trip to Washington to continue its financial support for his struggling Central American government.

The US has provided El Salvador with \$5.5bn in military and economic assistance over the last six years, making it the third largest recipient of US aid after Israel and Egypt.

In talks with President Ronald Reagan, senior US officials, and members of Congress yesterday, President Duarte is also seeking the latest views on the evolving Central American peace process, which calls for reconciliation between governments and rebels in the region and an end to military aid to insurgents.

President Duarte held preliminary talks with leftist guerrillas earlier this month. The US is looking to President Duarte to inject a critical note into the debate on the Nicaraguan Contras' compliance with the peace accord.

The Central American peace plan depends on each of the regional leaders agreeing to the plan, which also includes Honduras, Guatemala and Costa Rica - carrying out reform according to a planned timetable. Should one fail, the whole package could fall apart.

President Duarte, while desperate to end an eight-year-old civil war which has claimed more than 60,000 lives, knows the military is the largest target of the peace plan.

WORLD TRADE NEWS

Plessey signs phone exchange pact with Finns

BY TERRY DODSWORTH, INDUSTRIAL EDITOR

PLESSEY Business Systems of the UK has concluded an agreement for the distribution of its ISDX private telephone exchange by Nokia, the Finnish telecommunications and electronics group.

Nokia will have the rights to sell the Plessey equipment exclusively in Scandinavia, where the UK group believes there is significant potential to expand against the entrenched position of Ericsson of Sweden and Siemens, the West German company.

In addition, Nokia will distribute the exchange in the Soviet Union if Plessey can gain clearance to sell to Eastern bloc countries under the Cocom agreements formulated by Western governments for the export of high-technology equipment.

At present, Nokia dominates the sale of Western-designed telecommunications products to the Soviet Union, regarded as potentially one of the largest growth markets in telephone equipment over the next decade. The Finnish company supplies the Russians with both cables and small exchanges which fall outside the Cocom

Submarine deal may mean triple accord

By David Buchan, Defence Correspondent

ANGLO-AMERICAN accords on exchange of military-related nuclear technology may have to be renegotiated into a triple pact embracing Canada, if the UK is to win Washington's approval for its offer to Canada of nuclear-powered submarines with certain US-designed components.

This is the judgment of UK officials and executives promoting the offer by VSEL of the UK of its Trafalgar class design for the Canadian government's programme to build 10-12 nuclear submarines at a cost of more than \$2.5bn (\$4.2bn).

Competing for the big contract is the French government-owned Cherbourg yard with its Rubis class design.

The British need for US approval of any re-export of the US-origin nuclear fuel element design has given Washington, and particularly the Defense Department, a formal chance to express its grave misgivings about the information security and accident safety aspects of the Canadian programme.

While realising that a US veto on the key aspect of Canada's current defence policy could endanger the newly-negotiated US-Canadian trade pact, US officials voice two major concerns.

The first is that Canada will somehow compromise on safety in a programme that may be under-funded and is certainly a political football with both the Liberals and New Democrats opposed to Prime Minister Brian Mulroney's nuclear submarine ambitions.

The second is that sensitive data may leak as it is handed around industrial consortia which are to compete to maximise local content of the submarine programme.

The US seems to have accepted Washington's point that any accident with Canadian submarines could so alarm Western opinion as to endanger operation of all Western nuclear-powered submarines or surface fleets.

Marconi Communications yesterday said it had won a \$450m contract to develop with Rockwell advanced radio equipment for the US Navy.

David Dodwell reports on temporary peace in a patents dispute

Glass houses call truce in China

PILKINGTON and PPG Industries may be two glass houses used to throwing stones at each other - but in China, where the two have built large joint ventures, a truce has been called that may prove lucrative to both sides.

Even in China the temptation for these two leading world manufacturers of float glass to throw stones must have been great, particularly for Pilkington of the UK, which disputes PPG's legal right to license a technology that regards as its own.

Similarly aggravating to Pilkington is the fact that work on its joint venture plant in Shanghai began a year before the PPG plant in Hong Kong, yet PPG's plant began production in July - four months ahead of Pilkington's commissioning date.

"It was technologically important to be able to say we are the first factory in China to be producing glass to international quality standards. It was a matter of pride," says a PPG spokesman.

But the bottom line is it was not so important, commented a conciliatory Mr Bob Niederberger, general manager of the PPG joint venture with Northern Industries (Norinco) and the Shenzhen Construction Materials Corporation.

A truce between the two in China in a long-standing dispute over PPG's adoption of technology that Pilkington claims is its own, has perhaps been inevitable. China does not recognise the patents of either, so challenges in the domestic market would get nowhere.

In the short term at least, almost all the domestic sales from the PPG joint venture, called the Guangdong Float Glass (GFG), will be in the Pearl River delta region around Hong Kong, which is in the middle of a massive construction boom. Similarly, Pilkington's production is largely absorbed in Shanghai and its affluent hinterland of Jiangsu and Zhejiang provinces.

The size of China's glass market cannot be measured accurately, but it does take into account the country's realisation that flawless glass is in chronically short supply.

China has one of its own float glass manufacturers, the biggest in Qinhua and Lianyungang, but their technology has not been able yet to meet international float glass standards.

Recognising the huge potential domestic market for high quality glass, Pilkington began talking with Peking officials in the late 1970s about a local joint venture.

When agreement was reached in 1983, a site in Shanghai was chosen by the Chinese authorities.

Taiwan buying mission for Europe

By Bob King in Taipei

A Taiwanese purchasing delegation plans to buy \$1.5bn worth of European goods during visits to the Netherlands, France, West Germany, and Austria starting next month.

The delegation, including officials from the Ministry of Economic Affairs and major state-owned enterprises, represents Taiwan's first government-sponsored buying trip to Europe and is designed to firm up economic ties with Europe. Goods to be purchased range from cosmetics and milk powder to instrumentation and heavy equipment.

Taiwan's foreign trade board has also compiled a list of purchasing requirements from other local companies. The list will be circulated to potential suppliers throughout Europe, bringing total potential purchases to \$2.6bn over the next year.

While many of the purchases have already been agreed, the greater percentages are still under consideration and will be negotiated with suppliers during the visit from November 23 to December 12.

Included in the delegation are officials of government enterprises such as Chinese Petroleum, Taiwan Power, China Steel, and China Petrochemical. A private company, the Pacific Group, hopes to purchase items for sale in two new department stores, said to be the largest in East Asia, it plans to open shortly.

The trade board had originally put other countries, including the UK, on its itinerary, but delegation members balked at the additional time required to visit all of them. A second buying mission next year may visit countries excluded this year.

Taiwan's trade with West Germany, the UK, the Netherlands, France, Italy and Belgium reached \$7.6bn in the year to September.

Rolls Royce wins £70m Australia air contract

BY MICHAEL DONNE, AEROSPACE CORRESPONDENT

ROLLS-ROYCE has won a \$70m order from Australia's Air Force for the most reliable engines for the aviation leasing group, for RB-211-535E4 high-technology engines in six Boeing 737 aircraft.

The value of the order to Rolls-Royce includes both initial supply of engines for the twin-engine 737, and servicing support during their operational service.

Announcing the deal yesterday, Rolls-Royce said that the

Nissan and Ford discuss joint Spanish venture

BY TOM BURNS IN MADRID

INITIAL discussions between Nissan and Ford have been held in Tokyo aimed at manufacturing and distributing in Europe a four-wheel advanced vehicle from Nissan's plant in Barcelona, Nissan said yesterday.

The possible Barcelona venture was raised during talks between Ford's president, Mr Harold Ford, and Nissan's chief executive, Mr Yukio Kume, in Tokyo last week. The talks were chiefly held to review plans by

Japan oil plans

Japan Petroleum Exploration, which is active in overseas oil exploration, said it plans to buy US oilfields from major petroleum companies, Reuters reports from Tokyo.

The company said the semi-government company, set up in 1970 for the purpose of supplying oil to Japan, was willing to invest up to \$50m.

French to share in Indian combat aircraft design

BY JOHN ELLIOTT IN NEW DELHI

COMPANIES from France, the US, and Sweden have been chosen by India to play leading roles in the design of a light combat aircraft which India hopes to build in the early 1990s, despite extensive delays in the development programme.

Avions Marcel Dassault has signed a \$10m contract with the Indian Ministry of Defence for project definition work, which involves producing a preliminary design for the proposed fighter.

Dassault has beaten competitors such as British Aerospace, MBB of West Germany, and Grumman and Northrop of the US for this.

An agreement has also been reached by India and the US for collaboration between the US Air Force Wright Aeronautics Laboratory, which has experience developing F15 and F16 fighters, and India's Aeronautics Development Establishment of Bangalore, for work on

advanced technologies for materials, components and systems.

The US has already given "export advisory" clearances to more than 10 companies such as Rockwell, Bendix, Litton, Grumman and Northrop which allow them to offer their products to India for the aircraft.

The new agreement between the two governments will facilitate this co-operation.

Early this year, GE of the US beat Rolls-Royce of the UK for a contract to supply 11 engines for use in the aircraft development stage. India is designing its own engine, code-named GTX, but this is behind schedule. GE is supplying F-404 engines.

India also plans to place orders for parts it cannot produce itself, which explains why it is spreading its collaboration agreements around several countries.

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OVERSEAS NEWS

Mr Shultz is upstaged by Miss Nudel from Moscow

BY ANDREW WHITLEY IN JERUSALEM

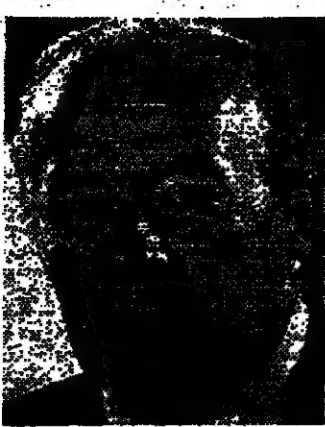
LESS THAN 18 hours apart, two very different VIPs are expected to arrive at Ben Gurion International Airport. The first, due in last night, was a slight, middle-aged spinster, Miss Ida Nudel, travelling alone from Moscow.

Hard on her sensible heels Mr George Shultz, the US Secretary of State, is expected this morning from Washington on his first visit to the region since May 1983.

But which of the two the Shamir Government, and the Israeli public at large, regards as more important - and is more excited about - is not the obvious one. The advance preparations for the little old Russian lady have far overshadowed those for the plenipotentiary from Washington, ignoring the huge infusion of US aid into Israel every year and the enormous weight Mr Shultz could bring to bear on Israel to change its policies, if he so desired.

Last night, a full-fledged state welcome was being prepared for Miss Nudel, "mother of the Soviet refuseniks", for the moment she stepped off the executive jet lent her by Mr Armand Hammer, the oil billionaire. Arrangements for the Shultz arrival, by contrast, are being treated in a very low key.

It is not just Israel's hunger for heroes which accounts for this difference. True, there has been a shortage in Israel lately of reasons to celebrate; and Mr Shultz's visit, for one, is not expected to bring any special comfort. On the contrary, officials



Shultz teaching Jews

are hard put to explain why he is coming here at this particular moment, and what positive achievements are expected to emerge from his two days of talks.

Such is the impasse that US Middle East policy finds itself in at the moment that few expect any decisive moves on the Arab-Israeli front before 1989, despite all the current talk of an international conference on the subject.

Mr Shimon Peres, the Foreign Minister, has failed to muster support within Israel for the conference idea, and despite increasingly anxious calls from him for US assistance, Mr Shultz seems most unlikely to do more than go through the motions of supporting his cause, in talks with Mr Yitzhak Shamir, the Prime Minister.

Bearing in mind that Mr Shultz will go on from the Middle East to Moscow, the focus Prime Minister Yitzhak Shamir would like to have in his meetings with the Secretary of State is the issue of Soviet Jewry. He said as much in an interview with the Jerusalem Post earlier this week. "We must demand of the Soviet Union that they allow any Jew the right to come on any visa (emigrate) to Israel, and to view it as a problem of Jewish nationality," he thundered.

For his part, over the next few days Mr Shultz will be touching base with the key regional allies of the US: Israel, Jordan, Egypt and Saudi Arabia. Until recently, he had insisted that he would visit the region only if his appearance would bring Arab-Israeli peace talks a "significant step" forward, and he was dissuaded from going to Israel earlier this year - when there was arguably more momentum behind the international conference idea - by an envoy from Mr Shamir. With American attention focused pre-eminently on the Gulf, US officials are now busily playing down expectations of immediate progress on the Arab-Israeli issue.

The conference proposal is sure to be raised repeatedly by Mr Shultz's Arab interlocutors. But even before the latest broadcast from Mr Shamir against the idea this week, the US envoy's resigned response could have been forecast with confidence: "What can we do while that intransigent old so-and-so is still in office?"

Saudis set to question arms policy

By Lionel Barber in Washington

MR GEORGE SHULTZ, US Secretary of State, faces a delicate diplomatic task when he visits Saudi Arabia during this week's whistle-stop tour of the Middle East.

He will have to explain why the US has watered down a \$1bn arms sale to the Saudis at the very time when their Arab ally is co-operating with the American naval force in the Gulf against Iran.

Last week, the White House notified Congress that it was withdrawing plans to sell 1,600 Maverick and Hawk missiles at a cost of \$300m. The climb-down came in the face of sustained objections from pro-Israel members of Congress who said Saudi Arabia could use the weapons in a future Arab-Israeli conflict, rather than against a belligerent Iran.

The remaining \$1bn of arms sales includes 12 F-15C and F-15D jet fighters, electronic support for the F-15s, M-60 tanks, and other artillery equipment. But the US F-15s will remain in the US, to be supplied to the Saudis only as replacements for existing aircraft.

Congress has not approved a big US arms sale to the Arab states since the A-7C surveillance aircraft sale to the Saudis in 1981, which is partly a tribute to the influence of the pro-Israel lobby.

Richard Gourlay reports on a challenge by Filipino trade unions

Manila suffers the strike jitters

THIS WEEK radical and moderate Philippine trade unions are challenging President Corason Aquino's policy on minimum wages through general strikes. The threats are enough to keep jittery businessmen and government officials jumping - two days after the last show of labour strength during a general strike on August 26, rebellious army officers nearly toppled Mrs Aquino in a coup.

Radical unions led by the Kilusang Mayo Uno (KMU), tried to cripple the capital's transport sector, with only limited success but companies throughout Manila's manufacturing sector were hit. Today the moderate Trade Unions Congress of the Philippines with its much larger membership has announced it will stage a "stay-at-home" with no demonstrations or pickets designed to show the depth of support for the pay increase.

The militant unions will join that strike as well. The issue is ostensibly about pay. Radical and moderate unions have demanded a 10 per cent-a-day (30p) across the board increase for public and private employees which would be the first legislated increase in pay since the minimum wage was raised in 1984. Mrs Aquino has offered much less: 8 per cent a day increase in the minimum wage, equivalent to a 25 per cent increase from 32 pesos a day. The demonstrations in August forced Mrs Aquino to halve

a necessary but badly-handled increase in fuel prices.

However, the strike call is not just about money. Before the strike, Mr Franklin Drilon, the Secretary of Labour, made his strongest attack on organised labour since taking office. "Certain groups are out to replace democracy by stirring agitation

'Certain groups are out to replace democracy by stirring agitation among workers' ranks'

among workers' ranks," he told a labour conference.

His comments were met with an audible sigh of relief from many businessmen. Even if political stability is restored, these potential investors say, the capital needed to sustain the economic recovery that has been sparked by consumer lending will simply go elsewhere unless there is a stable labour force.

A number of recent cases explain the sort of labour unrest that makes some businessmen say the sector is in turmoil. Last week, while Citibank was closed by pickets during a strike over union recognition

for contract workers, an explosion, which management says was caused by a professionally-placed bomb, destroyed part of the bank's head office.

Two weeks earlier, 50 managers of Hong Kong Bank in Manila were locked into their offices for two days by pickets who refused to allow them to leave. The picket was illegal as no strike had been called. The Department of Labour did nothing to clear the picket line and the deadlock was only resolved when Mrs Aquino stepped in to order the mayor of Manila's business district to intervene.

Political agitation on the picket line is also increasingly worrying businessmen. For instance pickets outside Nestle Philippines, whose operations have been shut down for four weeks, carry placards saying "down with imperialism" and other slogans against capitalism, according to a company spokesman.

Some politicians and the military believe there are links between the radical unions, like the KMU, and the Communist Party of the Philippines, whose military arm has fought an insurgency against the government for 19 years. It is a view shared by the moderate unions.

"Our action is limited to economic gains whereas the KMU has a hidden agenda," according to Mr Sedrick Bagtas, the assistant deputy secretary general of the Trade Union Congress of

the Philippines (TUCP). The TUCP has 1.5m members while the more active and more radical KMU has less than 200,000 members. Only 2.5m of the country's 7m employees belong to unions, according to the Government.

Until last week when Mr Drilon hit out against the assault on democracy, the Department of Labour has said that businessmen are exaggerating the threat and also pointed to the sharply lower strike figures this year compared to 1986.

Many managers are most perplexed that although the labour laws are clear, the Government is not applying them. For instance Nestle's Mr Velasquez says: "Everything the strikers have done is illegal. No strike notice, no strike vote. They barricaded the premises. So far the Government has done nothing on our case." However, if the Department of Labour applied the law it would have to deputise the military to break up strikes and picket lines, a move Mr Drilon has not been prepared to authorise.

Whether this week's strikes end in a rise in minimum wages or an across the board pay rise, Mr Drilon will remain under attack. Many non-unionised employees are paid considerably less than the minimum wage, especially in the so-called sweat shops and the Department of Labour has done little to apply the law here either.

Indians, Tamils mass for battle to take control of Jaffna City

BY OUR FOREIGN STAFF

INDIAN troops and Tamil guerrillas were massing their forces last night for what is expected to be a final bitter battle for control of Jaffna City, the Tamil stronghold in northern Sri Lanka.

Thousands of Indian troops, including Gurkhas backed by artillery and armour, were poised to attack the Tamil rebels whose leaders had called them to mass for the battle.

Journalists have been barred from the battle area and it was impossible to confirm reports of casualties. All official statements have been coming from the Indian High Commission in Colombo.

As the battle enters its sixth day, however, it is becoming clear that Indian forces have been encountering much greater difficulties in making advances than their official statements have admitted. At least 58 Indian soldiers and 250 Tamils are reported killed.

One report said that five captured Indian soldiers had been burned alive by rebels who hung flaming car tyres around their necks. Mr Velupillai Prabhakaran, the Tamil Tiger leader, was alleged to have said in an intercepted radio message that his men were "killing the Indians."

About 6,000 Indian troops backed by tanks and armoured personnel carriers were regrouping on the city outskirts to attack the Tigers after pounding the city with mortars and artillery to soften its defences.

India has estimated that there are about 2,500 armed Tamil Tigers in the north, and an unknown number of "helpers".

The Tamils have been launching attacks in the eastern province, which some analysts say is to create a diversion from the crisis in the north and prevent the Indians massing all their forces in Jaffna.

At least 30 Indian soldiers were reported to have been killed by a

landmine in Batticaloa in the east yesterday and in Trincomalee officials said rebels attacked a truckload of Sinhalese refugees, killing 10.

Indian troops launched their Jaffna offensive last Saturday after the Tigers in a series of attacks killed more than 200 Sinhalese in retaliation for the suicide of 15 Tamils in government custody.

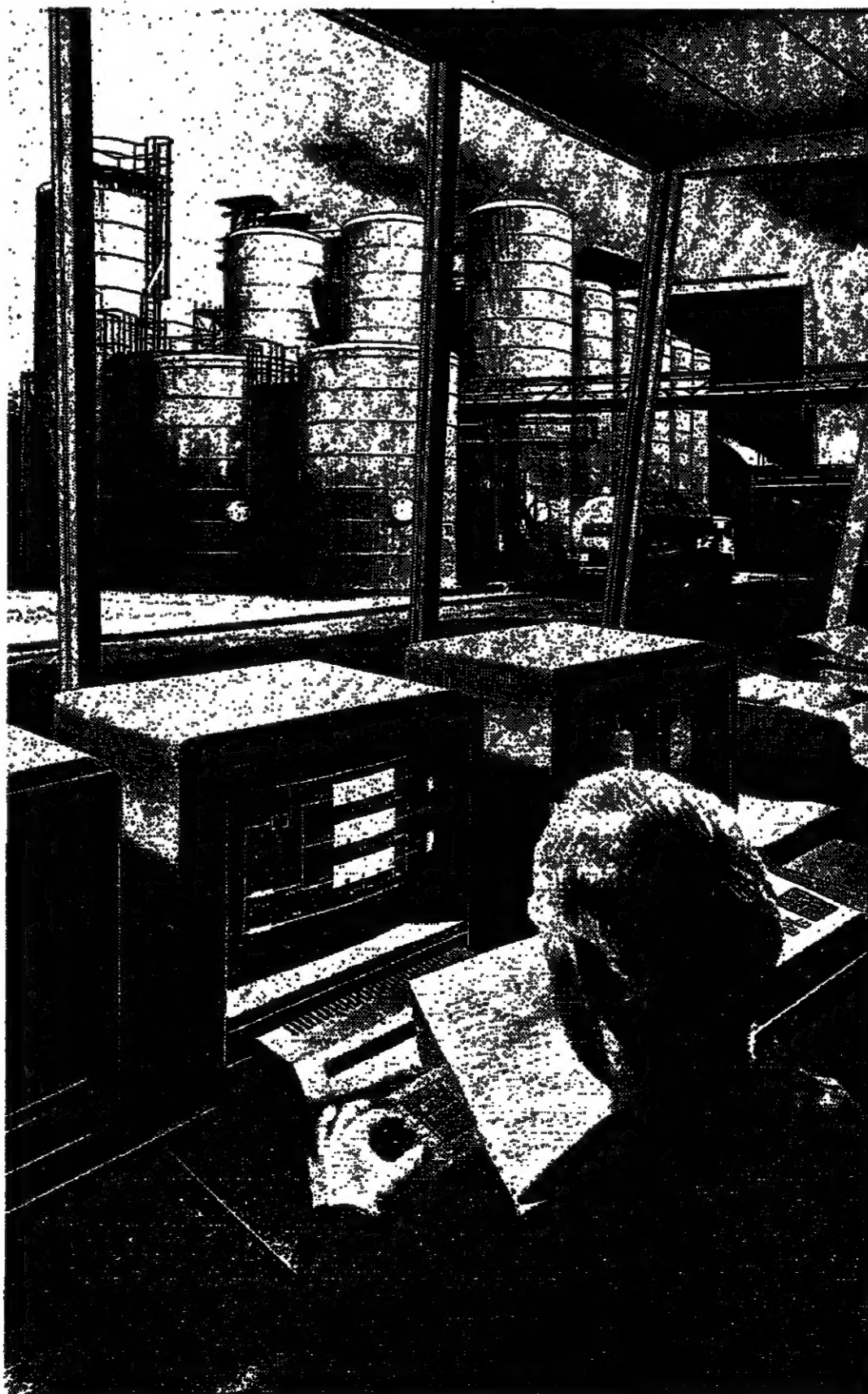
India, with a large Tamil population of its own, signed a pact with Sri Lanka on July 29 aimed at ending a four-year war between minority Tamils fighting for an independent homeland and the government of the Sinhalese-dominated island.

Mr Rommie de Mel, the Sri Lankan Finance Minister, warned last night that the World Bank and aid donor countries would help to restore Sri Lanka's economy only after peace was restored on the island.

"We can write off Sri Lanka if law and order is not restored in the next six months," he said.

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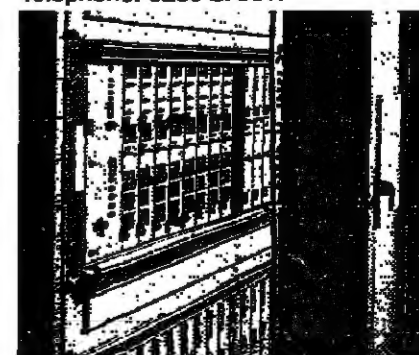
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TECHNOLOGY

Nicholas Woodsworth reports on a company which is pioneering the marketing of appropriate technology to West African farmers

Putting a heritage to work

WHEN IT COMES to his southern heritage, soft-spoken Mississippian David Ray can only be ironic. Last century his plantation-owning ancestors had one great concern: that their West African slaves would produce as much from the soil as possible. More than one hundred years later, Ray is still obsessed with crop production and Africans. However, quite a few things - not the least of them technological - have changed.

Ray is vice-president of a company which is pioneering the marketing of appropriate technology to small farmers in West Africa. A former plantation owner trained in agro-economics, he and a black American partner last year founded the New Horizons Export Trading Corporation. Located in the economic capital of Abidjan in the Ivory Coast, the company is one of the first in Africa to involve itself in appropriate technology transfer on a profit-making basis.

Western agricultural firms exporting to Africa generally find their markets in supplying large-scale commodity industries such as coffee, cocoa, rubber and palm oil. New Horizons, however, is convinced there is a substantial market in working with small cultivators of food crops who so far have been overlooked.

Such an approach now receives much more encouragement from third world governments than it used to. With international markets at all-time lows, it is the export-based economies that are realising most quickly the danger of total dependence on commodities.

Even the Ivory Coast, which built what is regarded as black Africa's most successful economy on foreign investment and cocoa and coffee exports, is recognising the value of agricultural self-sufficiency. Heavily indebted and having to pay for

food imports with hard currency, like many other countries it has recently called for intensive crop diversification programmes.

But attacking the largely untapped market of millions of African small farmers - there are 2m farmers and 8,000 agricultural co-operatives in the Ivory Coast alone - is a specialised business.

"Lack of appropriate mechanisation, irrigation and new seed hybrids is holding production back," says Ray. "Most African farmers today are still using the

technical efficiency and reliability; ease of repair by local personnel using available materials.

Among the pieces of equipment marketed by New Horizons are:

● A portable water well drilling rig, capable of drilling to a depth of 60m in a day. This machine can be carried to inaccessible drilling sites on a man's back and provides a well suitable for field irrigation or as a drinking water supply. The rig retails for less than \$5,000 (\$2,030) and makes it possible to

machine made under licence in the Ivory Coast, cutting the price to less than half that of a comparable machine.

● Wind-powered water pump. This suits the savannah regions of Africa where there is no electricity but plenty of wind. Powered by a wind turbine that piped air pressure down a well hole to force water up, the Homestead has few moving parts. Unlike conventional windmills, the turbine can be mounted on high ground up to a quarter of a mile away from the bore hole and can also pump water from an open stream or pond. The company claims that it has double the pumping capacity and costs \$1,900 less than any other wind-operated pump sold in West Africa.

● Solar-powered pumps. These can be ordered as custom-made packages for individual needs. Virtually maintenance-free, they employ the latest design of brushless electric motor and photovoltaic panels guaranteed for 10 years. Add-on panel capacity allows the energy supply to be increased. Operating from sunrise to sunset, a solar pump can provide four times as much water as two conventional footpumps operated 24 hours a day.

Convincing farmers of the value of this equipment has not been a problem - enormous interest has been shown during village demonstrations by 20 New Horizons employees. The greatest obstacle that the company has encountered has been scepticism on the part of potential dealers.

"We want to loosen the stranglehold the Lebanese and French business communities have on the West African farmer. They're selling them what they don't need or can't buy," says Ray. "We are therefore trying to find Africans who know farming people and their problems, to set up their own dealerships. But often these business-

Even the Ivory Coast, with a largely commodity-based economy, sees the value of agricultural self-sufficiency

traditional hand-hoe and machete as their only tools."

In view of this, the high-tech approach adopted by public sector aid projects in the past is not one New Horizons will consider. Price alone puts it out of reach of the small farmer. And while the larger farmer may be able to afford to buy more expensive and sophisticated machinery, maintenance problems have often led to disaster.

After more than a year and a half of careful product research, New Horizons chose to market technologically appropriate items manufactured by 22 American firms. While they vary from the simplest garden tool to the latest scientific innovation, all were chosen for their suitability to West African conditions.

Strict criteria were applied, including: low purchase price relative to cost of machines of similar function; low running and maintenance costs; high

drill a well for less than \$300. By drilling 50 wells in one year, an entrepreneur would realise profits three times the size of his purchase investment.

● Two-wheel "walk-behind" tractor. With 20 different front-mounted, gear-driven attachments, this motor tiller can clear heavy undergrowth and perform all field operations preliminary to seeding. It can plough up to one hectare per day. A relatively low purchase price means that it can become the primary tool of a single farmer or small agricultural co-op.

● Seventeen-horsepower "sit-on" tractor. Because its simple engine, transmission and drive train are externally mounted, a problem can be seen and repaired on the spot without sophisticated tools. If necessary, the motor can be unbolted and carried to a repair site. New Horizons is seeking to have the



Exploration via a less explosive route

BY GEOFFREY CHARLISH

A MORE efficient and environmentally acceptable way of carrying out seismic testing on land is nearly ready for commercialisation at the Sandia National Laboratories in Albuquerque, New Mexico, in the US.

Seismic testing is a necessary initial part of the exploration for new oil and natural gas reserves and involves the local projection of low frequency vibrations through the subsurface of the earth. The vibrations are picked up by carefully placed geophones (basically microphones), the electrical outputs of which can be used to produce a "picture" of the strata and indicate the prospects for successful drilling in the area.

To date, either explosive charges or surfaced "thumpers" have been used to obtain the low frequencies needed, but these can cause annoyance and possible danger to property if the tests have to be carried out

in the middle of a crowded city. They are also deficient technically, since the test signal only lasts for the duration of the explosion.

The Sandia team has developed a device which continually generates the 1Hz to 300Hz band of frequencies needed for the tests. It comprises a single-cylinder compressed air engine, in which the speed and stroke of the three-inch diameter piston can be adjusted to alter the vibrations produced by the engine. The machine is contained in a five-inch diameter cylinder which has expanding radial clamps to fix it in the bore hole and transmit the vibrations.

Operating up to a mile down, the Sandia system is more effective than surface devices in sending the test waves through the areas under investigation to surface geophones. Initial tests of the prototype look promising.

Fresh move on memory

SONY, the Japanese electronics company, has announced that it expects to begin commercial production next autumn of a special semiconductor memory chip, which can store 1m bits of information (about 125,000 characters).

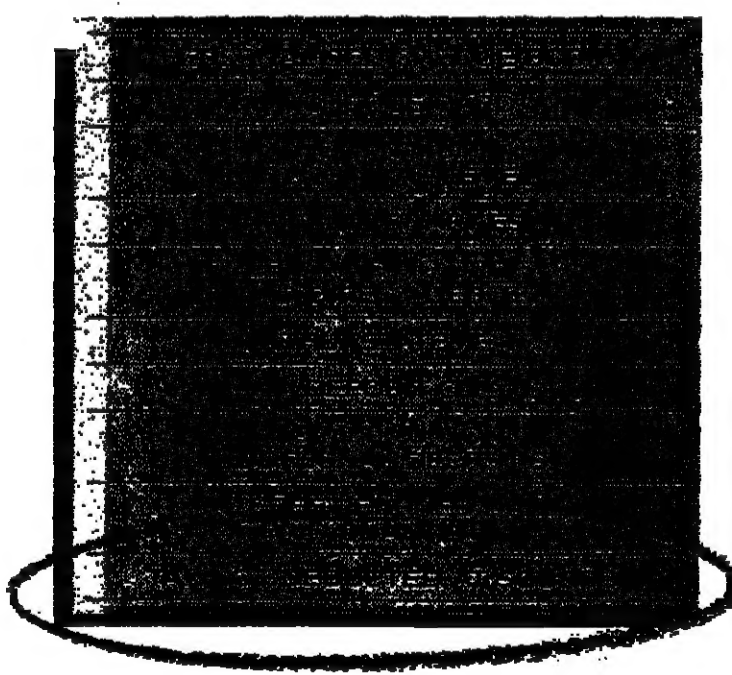
The chip is called a static random access memory (SRAM). Chips of this type are expected to play a big part in the development of equipment for the emerging office automation market because they do not have to be electronically "refreshed" like standard dynamic random access memory (DRAM) chips. One-million-bit SRAMs have been available for some time.

Sony, Hitachi, Mitsubishi and Toshiba have been collaborating on the 1m-bit chip since last February. US companies like Intel and Cypress have had 256,000-bit SRAMs available for some months, although the one's fastest SRAM has been developed by the UK firm, Immos. As yet, there is no indication how fast the new Sony chip will be.

The market for SRAMs has stabilised after a period when prices fell sharply. Customers are emphasising quality and reliability over price.

Alan Cane

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The taming of mustard

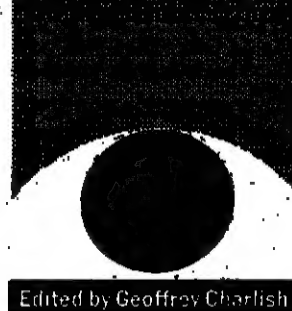
MUSTARD is about to take its life at RHM Ingham's Supplies of Leeds, part of the RHM Group. The company has developed a mustard which is activated by heat, so that it can be used to seal the joints of pipes and tanks.

According to product manager, Kathleen Meek, the product is a "mustard" in the sense that it is a mixture of two substances which react to form a third. The reaction is activated by heat, so that it can be used to seal the joints of pipes and tanks.

Saving heat from the drain

LESS ENERGY will be lost down the drains of industrial and domestic premises, according to Raychem, the US-based materials specialist, if

WORTH WATCHING



Edited by Geoffrey Charlsh

The Shapley type is wrapped round hot water service pipes before the insulation is applied. Pipes between hot water tanks and radiators will offer less heat loss and will be run off as waste by the next user as he waits for it to run hot again.

Savings can be made, says Raychem, by applying just enough heat to keep up the temperature of the water so that it is used next time. The company makes a tape which,

connected to the electrical mains, is able to regulate itself to produce a specific temperature. Thus, no more electricity than necessary is consumed. Known as HWAT, the tape has a resistive core between two wires. As the core warms, the resistance rises, increasing the resistance and cutting the current.

Better shield for circuits

SHAPLEY EUROPE, of Coventry in the UK, is offering an improved means of shielding electronic equipment to help prevent the illegal picking up of signals from its circuits. It also ensures that these circuits do not generate faults as a result of interfering electromagnetic fields.

The Shapley process chemically coats the surfaces of the plastic circuit boards with uniform deposits of copper and nickel. It is claimed this gives a 40 decibel reduction of signal transmission compared with existing methods. IBM uses the process for shielding computer enclosures.

CONTACTS: RHM Ingham's Supplies, UK, 0534 48040. Raychem UK, 0793 482123. Shapley Europe, 0203 457200.

1987-88 BUDGET
IN THE HIGH COURT OF JUSTICE
CHANCERY DIVISION
IN THE MATTER OF
TRANSFERRA TERMINALS LIMITED
AND IN THE MATTER OF
THE COMPANIES ACT 1985

NOTICE IS HEREBY GIVEN that a Petition was on the 24th day of September 1987 presented to Her Majesty's High Court of Justice for the confirmation of the reduction of the capital of the above-named Company from £1,000,000 to £200,000.

AND NOTICE IS FURTHER GIVEN that the said Petition is directed to be heard before the Honorable Mr Justice Peter Goff at the Royal Court of Justice, Strand, London WC2A 2LL, on Monday the 26th day of October 1987.

ANY Creditor or Shareholder of the said Company desiring to oppose the making of an Order for the confirmation of the said reduction of capital should appear at the time of hearing in person or by Counsel for that purpose.

A copy of the said Petition will be forwarded to any person requiring the same by the undersigned without charge on payment of the registered charge fee.

Dated the 24th day of October 1987.
MASTERS,
30 Fleet Street,
London EC4Y 3JA.
01-483 9900.
Solicitors for the above-named Company.

TRAINING IN INDUSTRY
The Financial Times proposes to publish the above survey on—
Wednesday 18th November 1987.
The topics to be covered include

- *The National Training Awards
- *Award Winners
- *Individual Companies
- *Education & Training
- *Private Investment
- *Management Training
- *Youth Training Scheme
- *Institutions

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All these securities having been sold, this announcement appears as a matter of record only.

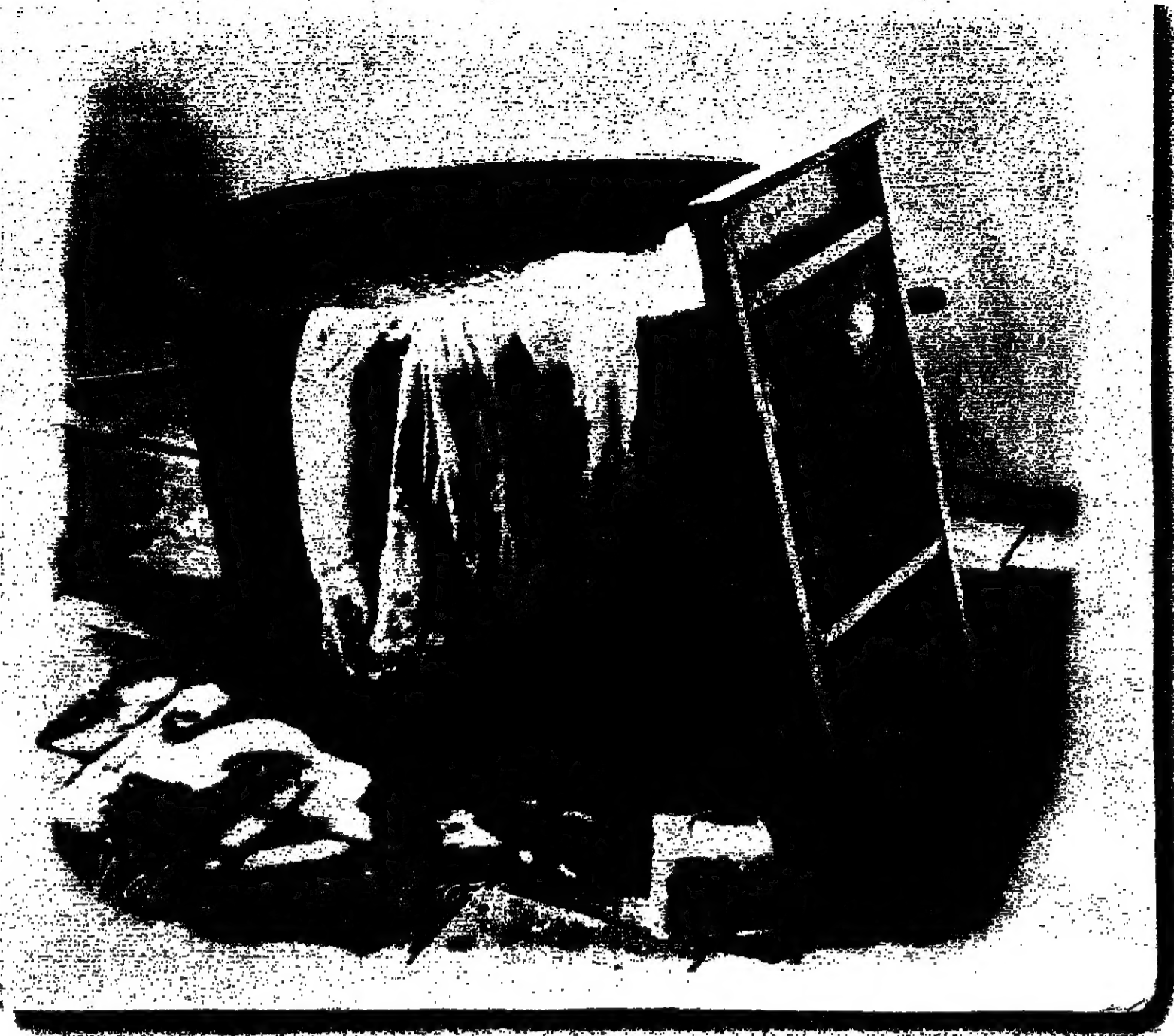
BIT

Private Issue of 850,000 25p B Ordinary Shares at £1 per share

Provided by funds managed by:
Legal & General Investment Management Ltd.
Oakland Capital Management PLC
Beale Holdings Ltd.

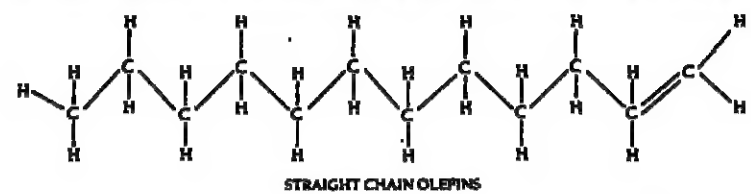
The undersigned acted as advisers to the company:
Beachcroft
Couper & Lybrand

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too expensive as the price of a barrel of oil went through the roof.

Again we cracked it, in 1932 we opened our own SHOP (Shell Higher Olefins Process)



at Stanlow Refinery in Cheshire. Instead of wax cracking, this unique process is based on ethylene derived from ethane gas from our North Sea oil and gas fields.

Needless to say the North Sea provides a secure source of ethylene on our doorstep.

Ethane is piped to the Fife Ethylene Plant at Mossmorran where cracking takes place.

FIFTY YEARS AGO WE INVESTED IN DETERGENTS. NOW WE'VE GOT OUR OWN SHOP.

Some 50 years ago Shell Chemicals first tackled the wash day blues.

Ironically we cracked it with crude oil (a filthier, more staining substance it would be hard to find).

But we found that, when crude oil is distilled, a waxy residue can be extracted. By cracking this residue we found we could produce (wait for it) straight chain olefins,

recognised building blocks in carbon chemistry.

Further processing resulted in Teepol, the

first petrochemical-based synthetic detergent for commercial use. It was 1942.

In 1948 we introduced Dobane, a hydrocarbon oil for use in household detergents.

(Indeed, makers of domestic laundry detergents still use current grades of Dobane as one of the key ingredients in their varying brand formulations.)

In 1965 we discovered a new catalyst which meant we could use olefins to produce detergent alcohols, opening up new possibilities for toiletries and shampoos.

Then it happened. In the Seventies came the oil crisis. Suddenly wax cracking became

With a new catalyst, ethylene allows us to produce olefins of very high purity through SHOP. By means of a second catalytic step we can actually tailor individual product packages to match a wide range of market needs.

Together with our sister plant in the U.S.A.,



it all means that now, 50 years after we first took stock of detergents, our customers can be sure our shelves will never be empty.

 **Shell Chemicals**

SHELL CHEMICALS UK LTD, 1 NORTHUMBERLAND AVENUE, LONDON WC2N 5LA.

THE 2010 Group, a team of up-and-coming young managers assembled by the Confederation of British Industry, learned a hard lesson last week about the way the UK press works.

The lesson was that if you write a thoughtful report appealing for greater team spirit in British industry, and then also call on companies to take their senior managers' cars and dining rooms away, it will be the bit about cars and dining rooms that grabs the headlines.

Fiona Gilmore, managing director of design consultancy Michael Peters and Partners and one of the authors of the report, says she resented the group being referred to as Yuppies by at least one tabloid, although she could see the funny side of registering her objection from a mobile phone in her car. (The phone, she hastens to point out, is available to anyone in her company who needs it.)

What hurt many of her colleagues even more were allegations in the quality press that the group - set up in May last year to chart a path for British industry into the next century - had not come up with anything very substantial.

The 20-managers, all under 35 years old, came from a wide cross section of British industry and also included a teacher and a businessman-farmer. They were chosen because their present employers regard them as the leaders of tomorrow.

Their brief from the CBI was certainly formidable: "Study the trends which will shape the social and economic environment, both in the UK and worldwide, as we move into the 21st century; define the role which the UK should play in the world economy in that period; and identify what needs to be done between now and the year 2010 to prepare us for such a role."

To what extent did they achieve this goal? The group's Programme for Action, although long on rhetoric, does contain a handful of concrete proposals. One is that employees should have as much of a right to training and development as they do to a holiday.

"It should be set out in the conditions of work. Perhaps every employee should be entitled to two weeks of training a year," says Mark Nicolson, a manager in the corporate division of Barclays Bank and the chairman of the group. If there is no specifically job-related training available, employees should be able to pursue other recognised courses of study, he says.

The group also called for redundancy payments to be scrapped "and replaced by a re-employment grant for training and setting up a business. Entrepreneurs should concentrate on assisting ex-employees to equip themselves for new jobs; that is

Young managers

The difficult art of prophecy

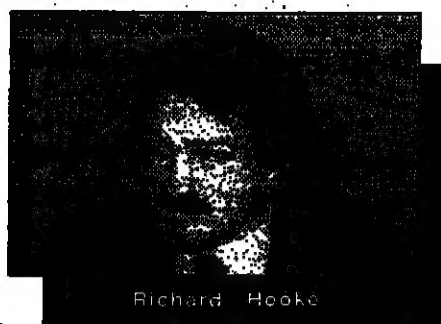
Michael Skapinker talks to some 'leaders of tomorrow' about reactions to their recent report on the shape of British industry in the 21st century



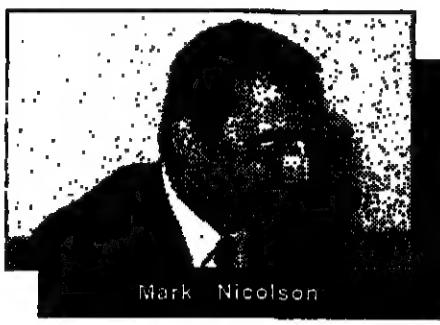
Charles Hudson



Graham Mills



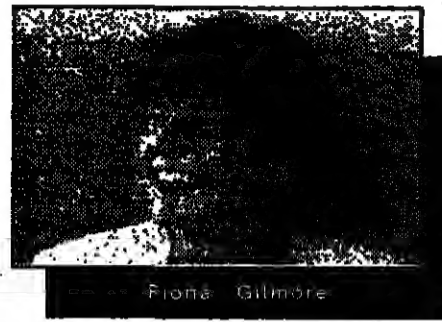
Richard Hooke



Mark Nicolson



John Talbot



Fiona Gilmore

One member of the CBI's 2010 Group, Fiona Gilmore, was upset at the group being described as Yuppies in one tabloid newspaper. Richard Hooke was surprised by the egalitarianism of the members given the backgrounds of individuals of the group - many had attended public schools and had gone on to either Oxford or Cambridge university.

their true responsibility. Subsidies for those out of work should remain the province of the state.

The remaining proposals, while perhaps valuable, are not particularly remarkable: employees must be encouraged to own shares in their companies; marketing literature should be translated into all European languages; foreign trade publications should be collected and analysed; and British schools should follow a national curriculum, with an emphasis on science and technology, basic business principles and a foreign language.

However much they may re-

sent the attention it received, their attack on such perks as company cars is easily the most striking part of their report. There is not much about the trends that will shape the world and the UK into the next century.

Some in the group regret that, but they point out that there is no real reason why a group of managers from such diverse backgrounds should have been able to reach agreement on a wide range of issues simply because they were all under 35. "The only thing we had in common is that we were young people in middle management," says Mark Nicolson.

Politically, says Graham

Mills, a manager at British Telecom, "we ranged from people to the right of the current Thatcher government to those occupying the middle ground of politics."

Fiona Gilmore says that the group had arguments, "some of them quite heated over the future of government policy. That's why I think in our report we've really avoided taking up government policy issues, because of the problems of getting consensus from 20 people of different political backgrounds. We chose not to address certain issues."

To Charles Hudson, the farmer and small businessman in the group, many of the others

"seemed to come from huge corporations and seemed to be insulated, because of their size, from the rigours of venture enterprise."

John Talbot, a manager in the Electricity Council's corporate development department, says: "I had a very hard time making the case for nuclear power. There was nothing on nuclear energy as such in our report, although in the interim report we did say that industry shouldn't be hampered by energy costs greater than those overseas."

"We also had a very large debate on the nature of research, how much we ought to be spending on research and whether we

spend too much on military research. In the end we said very little about research, although it occupied a lot of our time."

Given the wide range of views in the group, it is perhaps significant that the one thing Britain's future business leaders did all agree on was the need for companies to be less hierarchical and more democratic. Although corporate status symbols like company cars were unimportant in themselves, the group thought they set up the kind of class barrier which many employees felt unable to cross.

Richard Hooke, assistant to Sir Raymond Lygo, chief executive of British Aerospace, says he found the unanimous endorsement of egalitarianism in companies surprising. "Given the backgrounds of the individuals in the group, a lot of the people were from public schools and had gone through Oxford and Cambridge. The popular perception of that background doesn't fit in with the kind of views in the report."

So can Britain expect its organisations suddenly to begin abandoning their divisive perks in 15 or 20 years' time, when the members of the 2010 Group move into the chief executives' offices? Or will they have lost the idealism and enthusiasm of their youth by then?

"I do think that people change as they get older," concedes the Electricity Council's John Talbot. "I'm sure that our present captains of industry were once fairly similar to us. I think if there is a reason for optimism, it is that having been given this task and having occupied our minds with these thoughts I think they will stay with us."

But what are the group doing in the mean time? Many of them have company cars of their own and some who don't, like John Talbot, joke that they are working on getting one. If they feel so strongly about cars, why don't they return them?

"It would have no effect," says BT's Graham Mills. "It would be a personal statement that might get two ticks of publicity within the organisation and then would be forgotten and ignored. One person alone among the management structure in one location is not going to make any difference."

One person who thinks he can make a difference is Richard Hooke. When he was the Resources Manager for British Aerospace at Weybridge and Kingston, he supervised the building of a canteen building and reduced the number of dining facilities from six to two. Senior executives still have their own dining room, but that, too, is due to go over the next year.

"I'm not sure if I would have had the confidence to do it if I hadn't been in the group," he says.

British executives: too often lost for words

"WE HAVE TO be able to compete internationally" is a phrase which trips easily off the tongues of modern British managers. Unfortunately, few of them can say it in any language other than English.

Only 18 per cent of executive directors of leading British companies speak a foreign language fluently, according to a survey conducted by the Ambroselli Consulting Group. Non-executive directors have a slightly higher degree of linguistic proficiency: 29 per cent of them speak a second language.

The consulting group, which surveyed the top 200 UK-owned companies, said that it was not just language difficulties which hampered the international competitiveness of British companies. Many of the directors in the sample, which excluded financial institutions, had little experience of business outside the UK. Nearly half the executive directors had no international experience at all, either through working abroad or directing international operations in their companies. Almost one in ten of the companies questioned had no directors with international experience.

The survey - which is not yet

publicly available - also found that few of the companies had done much to broaden their international outlook by inviting foreigners to sit on their boards. Although over half the companies surveyed did have some foreign representation on their boards, the total number of non-British directors was still small.

Ninety-two per cent of the main board executive directors in the sample and 90 per cent of the non-executive directors were British. The remainder were almost all from predominantly English-speaking countries such as the United States, Canada, Australia, New Zealand and South Africa. Only 1 per cent of the executive directors and 3 per cent of the non-executive directors were from continental Europe.

One piece of good news from the survey is that many of the directors do at least have experience of other British companies. Ninety-one per cent of the non-executive directors surveyed said they were also non-executive directors of other companies. Forty-two per cent of the executive directors also sit on boards other than their own.

Michael Skapinker

Management abstracts

Marketing in UK retailing, N. Piercy in *Retail & Distribution Management* (UK), May/June 87, 5 pages.

Working from a survey of the marketing function and organisation, examines the role of the marketing department in retailing and outlines its size and status. Analyses the part played by chief marketing executives, tabulating their responsibilities, with marketing research heading the list. Reviews the different types of marketing department to be found - for instance, is it services oriented? Studies relationships with suppliers.

Keep the just rewards of energy conservation, E. Holder in *Works Management* (UK), June 87, 3 pages.

Describes how Massey-Ferguson planned and implemented a five-year energy conservation programme at its Manchester parts depot, concentrating on reducing heat loss and excessive lighting load. Mentions the acquisition of a computerised energy management system and the introduction of solar lighting and heating controls. Claims an annual 60 per cent re-

duction in heating bills (£480,000) for a capital investment of £800,000.

University/industry symbiosis, A.J. Reynolds in *Training Officer* (UK), May 87, 1 1/2 pages.

Notes the realisation by Babcock Power that a probable continuing shortage of entrants to the engineering profession demanded making the best use of those who had already joined it; reports how it set up, with Brunel University, an MSc course, solely for Babcock technical employees with a first degree and substantial responsibility, as the centrepiece of its management development programme.

Stimulating and managing ideas, W.E. Souder in *Research Management* (US), May/June 87, 5 pages.

From a survey of 50 of the largest US companies, presents various situations in which research managers can stimulate the generation of "high-quality ideas" from their staffs, covering sabbaticals, awards and job rotation; examines how to handle ideas being generated, for instance, by means of an "ideas inventory".

These abstracts are condensed from the abstracting journals published by Andrew Management Publications. Licensed copies of the original articles may be obtained at a cost of \$4 each (including VAT and p+e) with order from Andrew, PO Box 24, Basingstoke Hants RG24 0EA.

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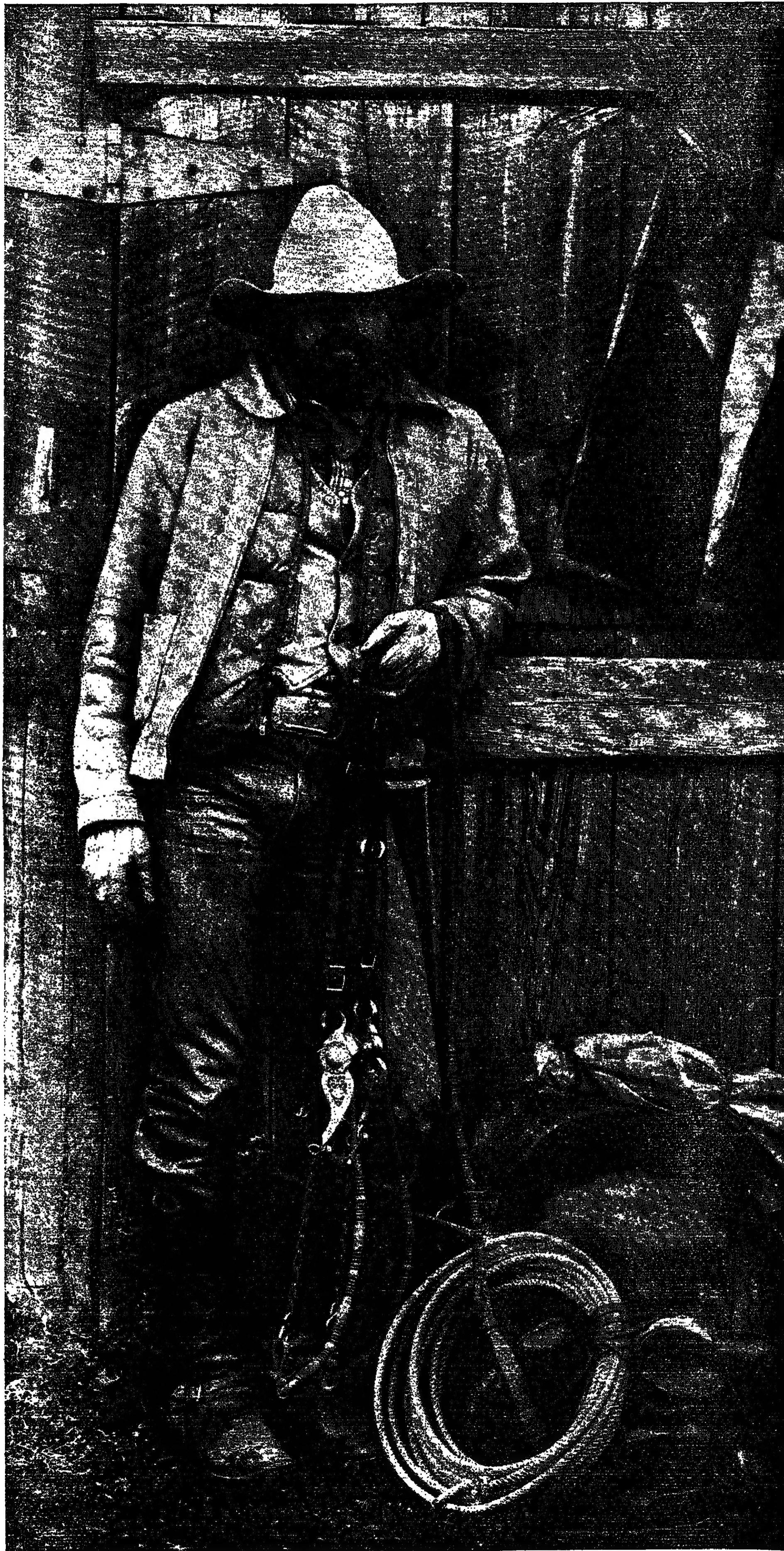
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UK NEWS

OUTLOOK FOR JOBS BEST FOR A DECADE, SAYS MINISTER

Unemployment dips to 5-year low

BY PHILIP STEPHENS, ECONOMICS CORRESPONDENT

BRITAIN'S unemployment total fell last month to its lowest level since 1982, Mr Norman Fowler, Employment Secretary, said today. The outlook for the unemployed was now the best for a decade.

The favourable impact on the labour market of the sharp acceleration in economic growth this year was also reflected in a strong rise in the number of people in employment.

Mr Fowler said that, in particular, there had been a "remarkable improvement" in job prospects for young people.

Yesterday's news from the Department of the Employment reinforced the picture of a buoyant economy provided earlier this week by figures showing that manufacturing output is now rising by an annual rate of between 5 and 5.4 per cent.

The Department said that its seasonally-adjusted count of benefit claimants fell by 54,000 in September to stand at 2.775m. The decline marked a further acceleration in the downward trend seen since the middle of last year.

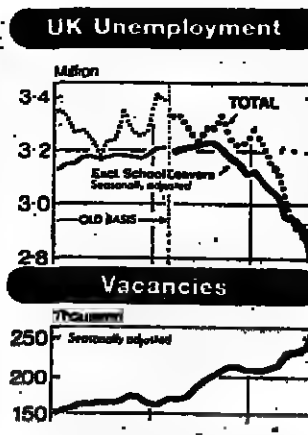
In parallel, there was another steep rise in the number of vacancies reported to job centres. The total of 265,000 vacancies on offer in September was over 20 per cent higher than a year earlier.

In a unusually lengthy statement accompanying the figures, Mr Fowler said that there were now fewer jobless school-leavers than at any time since 1974.

There had also been a record fall in the number of long-term unemployed, although further reductions remained both a major challenge and a priority for the Government.

He gave a warning, however, that prospects for the future would be threatened by excessive wage settlements.

Mr Michael Meacher, Labour's employment spokesman, said that he welcomed the latest fall in the figures, but he feared it was not based on firm foundations.



ers than at any time since 1974 - a reflection of both the extension of the Youth Training Scheme and a more general buoyancy in the labour market.

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He gave a warning, however, that prospects for the future would be threatened by excessive wage settlements.

Mr Michael Meacher, Labour's employment spokesman, said that he welcomed the latest fall in the figures, but he feared it was not based on firm foundations.

"A steady increase in employment cannot be sustained by a short-lived consumer credit boom," he said. At the same time the number of young people on the unemployment register would double overnight if it were not for special schemes which were clearly not leading to jobs.

The credit boom has doubled people's reliance on debts since 1979, he added.

"But manufacturing, research and development and training, on which long-term growth depends, have all fallen over the same period."

The rise in the number of people in work, which amounted to 134,000 in the second quarter of this year, reflects a slowdown in

the pace of job losses in manufacturing and continuing strong rises in employment in service industries.

A rise of more than 1.3m jobs in the economy since 1983 means that the employed labour force now stands at its highest level for seven years, but remains below the level seen in 1979.

The number of working days lost through strikes and other disputes in August was, at 30,000, the lowest in any month since 1948.

However, the exceptionally good figure follows a period during which stoppages have greatly increased.

Tories and Saatchi set to part company

By Philip Stephens

SAATCHI & SAATCHI, the world's largest advertising agency, is to part company with its most famous account, the Conservative Party, which is worth \$4m in an election year.

The move follows months of speculation that Mrs Margaret Thatcher, Prime Minister, and some of her advisers were unhappy with work done by Saatchi during the recent general election campaign.

In particular, she was known to be upset at the success of the Labour Party's campaign which was handled by a group of senior advertising executives who volunteered their services.

Saatchi, which has handled the account for nine years, refused to comment last night on reports that it was about to resign the account. Conservative Central Office also declined to comment last night.

However, Saatchi is understood to have written to Central Office resigning the account at a "mutually convenient time."

It is also understood to be talking to clients and staff that there are areas of "conflicting interest" within the account. It has interests, for example, in satellite broadcasting which it believes would be incompatible because of its strict regulation - with it continuing to handle the Tory party's advertising.

Advertising industry sources, however, were last night sceptical of Saatchi's reasons for resigning. They described it as a pre-emptive strike before Saatchi lost the account when Mr Norman Tebbit, chairman of the Tory party, resigns from the post shortly.

Saatchi won the Tory party account in the late 1970s and its involvement in the 1979 election campaign was its first major business. This helped it develop in the 1980s through a series of acquisitions to become the largest advertising agency in the world in terms of fee income.

The 1979 election campaign, however, was last night sceptical of Saatchi's reasons for resigning. They described it as a pre-emptive strike before Saatchi lost the account when Mr Norman Tebbit, chairman of the Tory party, resigns from the post shortly.

During this year's election campaign there were persistent reports of a split between top Tory politicians over the effectiveness of the advertising.

This led to Mr Tim Bell, a former senior executive with Saatchi, being called in by the Prime Minister to help develop the campaign.

Ferguson to cut workforce by quarter in rationalisation move

BY TERRY DODSWORTH AND DAVID THOMAS

FERGUSON, the television manufacturing company which was sold to Thomson of France by Thorn EMI earlier this year, is to make almost a quarter of its workforce redundant as part of sweeping rationalisation measures announced yesterday.

The job cuts, which will involve 1,000 workers out of a total of 4,800, were triggered by trading losses and the withdrawal of JVC, the Japanese television company, from a licensing deal under which some of its European sets were made by Ferguson.

JVC said last night that it intended to build its own television plant in Europe as part of its aim to expand its activities in the region. The new plant, which will probably be in the UK, will be designed to produce a much higher rate than the 200,000 units a year which Ferguson had been intending to make for JVC.

According to JVC, it will need to make its decision soon because Ferguson will continue to supply it with sets only until the end of the year.

Ferguson's rationalisation move was made by the company since it was acquired by Thomson in a £200m (£148m) deal three months ago. Since then, Thomson has acquired the television manufacturing activities of General Electric of the US, putting it among the top three producers in the world.

The UK group said last night that when it was acquired by Thomson it was losing money at the rate of around £1m a month, and although its trading position had improved in September, it was still faced with the need to adjust its workforce to price cutting. Prices on some of its top of the range models have fallen by 10 per cent since the beginning of the year.

The rationalisation is aimed mainly at reducing stock levels and transport costs on its smaller portable models, where price competition is fiercest. To achieve this, the company is transferring assembly of the electronic units which make up the inside of the small sets from its plant at Enfield in North London to Gosport, Hampshire.

Transfer will mean job cuts of 900 at the plant. Gosport, where the company has invested heavily in final assembly in recent years, will lose 270 jobs, and there will be further 20 redundancies in the group's plastic moulding facilities.

Ferguson will have supplied JVC with about 100,000 sets from its Gosport plant since February when the relationship began.

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Talks to avert Vauxhall strike

BY CHARLES LEADBETTER, LABOUR STAFF

UNION OFFICIALS and senior executives at Vauxhall Motors car plant at Luton, north of London, will hold a critical meeting this morning in an attempt to head off a threatened strike over the recalculation of productivity bonuses.

The 3,500 manual workers at the plant plan to start an indefinite strike from 4 pm today unless the company makes an improved offer. The workers voted for strike action by about two to one.

The meeting, involving conveners from the plant and local full-time officials, follows informal contacts over the past few days after talks on recalculation of the productivity bonuses broke down on Tuesday.

However, there was little optimism last night that the talks would avert the strike. The company indicated that it did not plan to make an improved offer over the bonuses.

It said it would conduct substantive negotiations only if the strike threat was withdrawn. It hopes to arrange a meeting with national officials of the two unions involved, the Transport

and General Workers Union and the AEU, engineering union, for Monday.

Union officials at the plant, which makes the Cavalier car, said they expected the strike to go ahead as planned. However, executives believe support for the strike may be weaker than suggested by the original vote.

The Luton workers are also likely to come under pressure to settle the dispute from colleagues at the company's Ellesmere Port plant on Merseyside.

Whitehall union seeks pay stoppage

BY OUR LABOUR EDITOR

THE HARD LEFT leadership of the CPGB, the biggest civil service union, is drawing up plans for an all-out pay strike by the union's 145,000 members next spring.

In a circular to CPGB branches in advance of a special pay conference in December, the union's national executive committee says: "The only action which is likely to move the employer in the context of a national pay claim is when all members in all departments stop work together - that is in-

definite all-out strike."

Disclosure of the leadership's plans is certain to alienate the CPGB further from the Government at a time when some ministers advocate cutting links with the union because of the strong influence within it of Militant Tendency, the far-left group.

The union, which represents clerical grade staff, tried to call an indefinite strike earlier this year after 14 weeks' selective disruptive action over pay. At most three-quarters of the mem-

bers taking part in a ballot voted against.

The latest circular makes it clear, however, that the executive intends to devote the winter months to "build confidence" in preparation for a further ballot in the spring.

The circular says the executive will recommend an all-out strike strategy to the pay conference. The conference, which will be dominated by young left-wing delegates, is almost certain to approve such a strategy.

Stronger economy lifts labour market

BY OUR ECONOMICS CORRESPONDENT

YESTERDAY'S employment statistics suggest that the strong growth of the economy - currently rising at an annual rate of around 4 per cent - is translating into a significant improvement in the labour market.

Manufacturing companies are laying off fewer workers and employment in service industries is growing strongly.

At least part of the fall of 400,000 in the number of benefit claimants over the past year also reflects the tighter controls on claimants operated through the Restart scheme for the long-term unemployed, and through a new availability for work test.

The employment department said that the seasonally-adjusted claimant count fell to 2.775m in September, marking

the 18th consecutive monthly fall. On the new basis of calculation introduced by the Government last year, that represented 10 per cent of the workforce.

On average, the unemployment rate has fallen by 1.5 percentage points during the last 12 months with the decline spread relatively evenly throughout England, but with Northern Ireland and Scotland doing less well.

There has been little erosion of the wide disparities in jobless rates between different regions. A rate of 7 per cent in the south-east of England last month compared with a 12 per cent in Northern Ireland, 12.5 per cent in Scotland, and 14 per cent in the north of England.

The recent economic boom in East Angles is reflected in a jobless rate of 7.3 per cent.

Employment has now risen in every quarter for four years. Including the department's rough estimate of the numbers of people moving into self-employment, the number of people in work is 1.382m higher than in March 1983. It is still, however, about 520,000 lower than during the last economic peak in 1979.

Of the new jobs created, the Government estimates that the bulk are part-time and most have been taken up by women. The total increase is broken down into 1,003m jobs for women, of which 594,000 are part-time, and 358,000 for men, of which 194,000 are part-time.

As manufacturing output has accelerated, the number of jobs losses has fallen from a monthly average of 16,000 in the three months in August 1986 to 3,000

in the comparable period of this year. At the same time growth in service industry employment has strengthened.

Less encouraging for the Government is evidence from the latest statistics that earnings growth in manufacturing is continuing to accelerate. Provisional data for August suggests that over the previous year, the underlying rate of increase in average earnings in manufacturing edged up to 4.5 per cent. That compares with a rate of 7.7 per cent at the start of this year.

Much of the impact on unit costs has been offset by rapid growth in productivity, with output per head rising at an annual rate of close to 7 per cent in recent months.

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UK NEWS

US group funds £20m Oxford brain research

BY DAVID FISHLICK, SCIENCE EDITOR

SQUIBB, the US pharmaceutical group, is funding £20m of basic research in brain chemistry at Oxford University under an agreement which gives the company preferential rights to the results of designated projects.

The agreement is for seven years and includes the cost of a new facility for neuroscience research in Oxford by 1991. It is one of the largest industrial research contracts placed with an academic institution.

Squibb will be funding research associated with five areas of neuroscience - senile dementia, epilepsy, psychoses, blood pressure control, and control of the peripheral autonomic nervous system.

In return, the company gains immediate access to Oxford's research in these five areas. Sir Patrick Neill, vice-chancellor of Oxford University, said the university hopes to raise £200m through a public appeal, partly through industrial investments of this kind.

He said it was the kind of funding the Government had been urging universities to seek. They had received assurances that success in securing such funds would not lead to cuts in government support.

Dr Charles Sanders, executive vice-president responsible for Squibb's science and technology, said if Oxford's research led to new chemicals of potential commercial interest as drugs, the company would set up complementary facilities at its Institute for Medical Research in Princeton, New Jersey, to develop the compounds.

The agreement contains an understanding that research of interest to Squibb will not be published until patents have been applied for, Dr Sanders said.

Professor David Smith, head of Oxford's department of pharmacology, said this was "absolutely normal practice".

He said the university had more than 160 scientists studying various aspects of the nervous system and his own department was the focus of a lot of this research. But its work had been severely curtailed by shortage of laboratory space.

Oxford is at the forefront of research into the discovery of a new class of natural chemicals participating in brain activity.

In addition to chemicals which inhibit or inhibit the firing of a brain cell, to release an electrical impulse, there is a third class of chemicals which modulate the action of the other two classes.

About 50 natural modulating agents have recently been identified, opening opportunities for synthetic mimics which might exert a more subtle action on nervous diseases than drugs in use.

Prof Smith said that many laboratories were studying modulation, but his own department might be unique in focusing on it. "Other people are probably doing it more by accident than by design."

Gains tax should go say landowners

BY RICHARD WATERS

CAPITAL GAINS TAX should be replaced by a tapered income tax that would hit short-term gains hardest, the Country Landowners Association said yesterday.

The association, which has sent its proposals to the Chancellor of the Exchequer, said any gains on an asset sold within a year of purchase should be taxed at full income tax rates.

The scheme would provide relief of between 20 per cent and 80 per cent for gains made between one and five years of the purchase. Any sales after this would be tax-free.

Such a tax would hit short-term gains, particularly in stocks and shares. Share trading provided half of the CGT take in 1982-83, the last year for which figures are available.

The CGT exemption of £6,000 should be kept to protect small shareholders.

The association, which represents 43,000 landowners, claims many of its members are sitting on inflationary gains made in the 1970s which they are unwilling to realise because of CGT. "The tax remains a levy upon capital itself, thereby distorting commercial decision making and the free movement of investment," it said.

Government 'must do more' to ensure wider share ownership

BY HUGO DIXON

THE GOVERNMENT and the securities industry need to do more if the "seed" of wider share-ownership is to germinate, a director of Quilter Goodson, the London stockbroker which has pioneered share shops, said yesterday.

Mr David Franks, a director of Quilter's retail division, said that the Government had already largely done its part through legislative changes and privatisations.

However, he added his voice to those who have argued that personal equity plans should be made more attractive by allowing some form of upfront income tax relief on the lines of France's *Loi Monory*.

Speaking at a Financial Times conference on retail financial services, Mr Franks said the Government should give greater weight to unit trusts in its promotion of wider share ownership because they reduce risk by spreading investments. He argued that this would be particularly valuable in the event of a bear market in equities.

"How can the fact that 19.5 per cent of the adult population holds shares but only 5 per cent hold unit trusts be justified?" Mr Franks asked. "It is the wrong way round."

He said the limit on the proportion of PEPs that can be held in unit trusts should be increased and possibly removed.

FT

CONFERENCE

Retail Financial Services

Turning to the securities industry, Mr Franks said the commissions charged to small investors for share dealing had gone up since last year's Big Bang, not out of choice but because of settlement problems.

He said that, before Taurus, the computer system planned for registering securities, could come on stream to help this problem, certain aspects of company law would have to be changed.

Several other elements were needed to spur on wider share ownership, Mr Franks said.

First, more people would have to be trained to advise on share dealing and quality as "registered representatives". Second, the status of retail

stockbroking would have to be raised. Third, the industry would have to start marketing itself.

Sir John Read, chairman of TSB Group, stressed the importance of putting customers first in the provision of financial services. He hinted that one way of doing this would be to start opening banks on Sundays.

Mr Geoff Durward, chief general manager of the Alliance & Leicester Building Society, argued that competitive pressures were likely to lead to more and more mergers in the building societies movement.

"By the year 2000 we could well see fewer than 20 building societies left, perhaps 10 huge national societies and 10 smaller, but strong regional societies. On the other hand, by the year 2000 there might not be any mutual building societies at all, because we will be called something else - savings banks or mortgage banks or licensed deposit takers."

Mr Seymour Fortescue, Barclays Bank's director for UK retail services, pointed out how profitable the mortgage market had become for banks over the last year.

Mr Russell Hogg, president of MasterCard International, the credit card company, argued that credit card spending was giving a boost to the UK tourist industry.

Poor exports likely to curb economic growth, says study

BY JANET BUSH

THE KEY THREAT to future growth in the British economy looks likely to come from a sluggish export performance, according to the latest economic outlook by Wharton Economic and Financial Information Services (WEFA).

WEFA forecasts real gross domestic product growth of 3 per cent to 3.5 per cent this year, but only about 2 per cent next year.

The depreciation of sterling last year and strong productivity growth should produce export growth in manufactured goods of more than 6 per cent this year. However, WEFA argues that the effect of sterling's depreciation is effectively over and notes that export volumes in manufactures actually declined in the first half of this year.

At the same time, the current consumer boom and recovery in fixed investment spending which have provided the engine for this year's relatively fast economic growth are expected to continue next year, keeping imports buoyant.

WEFA forecasts a very modest current account deficit this year of £187m, but a shortfall of more than £2bn in 1988. The current account deficit is projected to worsen until 1991, when a

world trade recovery should reverse the trend.

It is relatively optimistic about the prospects for inflation, which should be contained by a strong pound, low world commodity and manufactured goods prices and a high level of growth in British productivity.

It suggests retail price inflation may already have peaked this year at 4.4 per cent and should fall to about 4 per cent by the year's end, in line with the Treasury's Budget projection. It sees inflation rising to 5.6 per cent in the last three months of next year, but staying below 6 per cent until 1992.

Inflation is forecast as intensifying towards the end of this period. Although annual GDP growth is forecast to slow to 2 per cent next year, WEFA still sees unemployment falling to 2.53m by the end of 1988 from 2.56m at the end of this year.

WEFA has revised up its forecast for world GDP growth this year to 2.6 per cent compared with the 2.3 per cent suggested in its July outlook and 3 per cent next year compared with its previous forecast of 2.7 per cent.

These revisions reflect stronger than expected growth in the US and a recovery in Japanese growth.

Ambulance design defects criticised in union report

BY DAVID SPINKS

A REPORT published yesterday identifies "inherent relative weakness" in the design of a Bedford vehicle commonly used as an ambulance by health authorities.

The report also criticises Department of Health and Social Security guidelines which advocate replacement of ambulances only after ten years or 140,000 miles. The DHSS recommends replacement of vans after five years.

Assessment of the Bedford CF200 ambulance was commissioned by the National Union of Public Employees after five cases this summer when wheels fell off vehicles of this type operated by the Devon Ambulance Service.

The union says similar accidents had previously occurred to CF200s operated by at least six other services. Devon ambulance crews have been refusing to use their 54 CF200s since a wheel fell off one on the M5 motorway.

The report on the Devon accidents has been prepared by Mr Richard Booth, professor of health and safety at Aston University and president of the Institute of Occupational Safety and Health.

He identifies two mechanical faults, but the report concludes that maintenance shortcomings are "unlikely to have been a major contributory factor."

Instead, Mr Booth says, the CF200 is "inherently less suitable" than other vehicles for the rigours of ambulance work, often involving high-speed driving and very severe acceleration, braking and cornering.

In view of the report, Nape is calling for the withdrawal from service of all CF200s, for earlier replacement of all vehicles and for the DHSS to commission British manufacturers to design a purpose-built ambulance for the 1990s.

LAW SOCIETY CONFERENCE

President warns over mixed partnerships

BY RAYMOND HUGHES IN VIENNA

IF SOLICITORS were allowed to enter partnerships with members of other professions it would be essential for them to have majority control, Mr Derek Bradbeer, Law Soc president, said yesterday.

In a keynote speech to the society's conference in Vienna he indicated his support for mixed partnerships, but said the crucial factor was control.

Only if solicitors were in charge could they control delivery of the partnership's legal services and ensure maintenance of professional standards, he said.

The issue of mixed partnerships as a means of surviving in an increasingly competitive world has divided solicitors. It will be debated by the conference today.

A decision one whether to amend the society's rules to enable solicitors to establish professional alliances with, for example, accountants or estate agents, is expected by the end of the year.

Mr Bradbeer said it was essential solicitors should not let themselves be bullied into decisions by pressure from over-commercially oriented groups of solicitors, those who wanted to retain the status quo, or even from "such august bodies" as the Office of Fair Trading.

He said solicitors' attitudes to client relationships were significantly different to those of professions. "Chartered accountants, for instance, have very different ideas about con-

dict of interest. A firm of accountants may be perfectly willing to advise the vendor and the purchaser of the share capital of a company.

"Some large firms make the stipulation that separate offices of the firm should act for opposing parties; others do not even do that."

"Quite where this leaves the obligation of full disclosure to one's partners and the obligation to act in good faith towards them I have never been quite sure."

If solicitors were to contemplate mixed practices they would have to impose their higher standards of conduct and to do that they would have to have majority control.

Specific code-of-conduct provisions would need to be formulated, after talks with other professional bodies, which would apply to all in a mixed practice.

"We would not allow different standards within one practice."

He stipulated two types of limitation on those whom solicitors allowed to be minority partners:

● Non-solicitors would have to be either active partners in a firm, or executive directors or employees in an incorporated practice; "I would not allow participation by outside venture capitalists with a shareholding or by sleeping partners."

● Non-solicitor participation should be limited to members of a professional body with high ethical standards.

Clients now shop around

SOLICITORS HAVE to adapt to the fact that their clients are becoming increasingly sophisticated and inclined to shop around for legal services, the conference was told yesterday.

Quality and speed of service were criteria by which solicitors were being judged by clients whose life-long loyalty could no longer be guaranteed in a competitive world, said Mr David Andrews, a practice management consultant.

"We are losing our grip. We have allowed predators to take away our work because we were not kept abreast of our clients' requirements."

However, there was still plenty of work - and money - to be made even by small firms. It was a pity that all this money was being made by the big City firms, Mr Andrews said.

"Boutique firms with a high level of expertise, a readiness to explore new areas of practice, such as financial services and consumer protection, and an intelligent approach to marketing could be highly profitable."

It was essential for solicitors to plan to make the best use of their human and technological resources, Mr Andrews said.

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UK NEWS

Furniture group bought by managers for £80m

BY CHARLES SATCHLON

NINE SENIOR executives of Moors Furniture Group, a privately-owned maker of fitted kitchens, have acquired the company in a management buy-out worth £80m.

Mr Fred Davies, 46, chief executive, said the buyout was put together in less than two weeks after the management realised it could outbid the six trade potential buyers interested in acquiring the company.

Moors made a pre-tax profit of £5.4m (adjusted for payments to directors) last year on turnover of nearly £20m. It employs more than 900 at its factories in Wetherby, Yorkshire, and Newton Aycliffe, County Durham.

The company is a leading supplier of kitchen furniture to private sector housebuilders

claiming a 15 per cent market share. It claims a 35 per cent share of the public sector housebuilding market and has a 5-6 per cent stake of the retail market, supplying shops displaying fitted kitchens. It supplies flat pack bedroom furniture to Texas Homecare.

The managers plan to take Moors public in a year or two. The company was set up in 1945 by Mr George Moore.

The management team is putting up £250,000 for a stake in the business which could rise to 15 per cent if optimum performance is achieved.

The final details of the financial package will have to be agreed but 31 (investors in industry), which led the negotiations, said there would be

£25m-£30m of secured long term "senior" debt, £15m of mezzanine funding (comprising secured loans carrying a premium rate of interest) and up to £40m of equity.

The details of the package will depend on the syndication agreement 31 reaches with the investors providing the loan and equity capital.

The entire deal has been underwritten by 31 which claimed this was the largest "bought deal" buyout undertaken by a single UK institution. In a bought deal the lead institution puts up all the finance and syndicates a large part of it later to other investors. This technique allows deals to be put together quickly. 31 expects to complete the deal on November 12.

T & N signs car exhaust deal

BY JOHN GRIFFITHS

A LICENCE and manufacturing rights agreement for car engine technology said to be capable of meeting new European exhaust emission standards without any form of catalyst was signed yesterday between Britain's T & N group, formerly Turner & Newall, and Sonex Research of the US.

The technology, which has been under development for several years, has reached the stage where "it can quite genuinely be presented to car manufacturers" as a means to allow them to meet the standards without resort to catalysts, said Mr Colin Hope, T & N's group managing director.

The EC standards, which restrict the amounts of nitrogen oxides and other pollutants which may be emitted by car engines, are due to start coming into effect in 1989 for cars of between 1.4 and 2 litres - the engine capacities in which the two companies' research work has so far been concentrated.

The technology, conceived by Sonex, of Annapolis, Maryland, has been claimed as offering a generic solution to the problem of meeting the standards at a projected cost of £30 a unit or less.

Costs of a full three-way catalyst system for cars in these en-

gine capacities are projected at £300-£400, although Toyota is shortly to put into production a "lean-burn" engine also said to be capable of meeting the standards, possibly with the help of a simple oxidation catalyst.

The agreement, which follows collaboration between T & N Technology and Sonex, gives T & N exclusive rights to make pistons and other high-technology components for the system. T & N already sells pistons to most large vehicle producers through its technology subsidiary, which was known as A.E. Developments until T & N's successful takeover last year of A.E.



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A BREATH OF FRESH AIR

AIR CANADA

Peugeot Talbot may create 1,000 jobs

By Kenneth Gooding, Motor Industry Correspondent

THE PROSPECT of a substantial rise in jobs, possibly by 1,000, at the Peugeot-Talbot factory at Ryton, Coventry, emerged yesterday. Mr Geoffrey Whalen, managing director, said a second shift would be introduced in the spring for the first time for 12 years.

He said he was convinced the French-owned company would make a profit this year, for only the second time in 20 years. When half-year results last month showed a £5.7m net profit, compared with an £8.2m loss in the first half of last year, he had suggested a second shift would be the best that could be hoped for.

He said he was more optimistic because Peugeot had beaten sales targets this year, had sold more high-value models and continued to obtain better control of costs.

"I can now say that for the first time in 20 years we can look ahead from 1988 - a respectable profit," he said.

He would not estimate the number of jobs to be created by the second shift, but said it would be a few weeks before a decision is made on whether Ryton will build the mid-sized Peugeot 405 for export as well as for the UK. The model is now in full production at Ryton.

It is reasonable to assume that the shift would create about 1,000 jobs. This year Peugeot has recruited 1,000 people to help build the 405. In the past two years 800 people have been transferred from the nearby Stiles factory as production of car-kits for Iran was being run down.

More than 500m have been invested at Ryton in the past three years, the early-1970s factory employed more than 8,000, but it now has a workforce of 2,100.

Ryton is producing 1,250 cars a week on a single shift, the maximum possible. Mr Whalen said: "I am optimistic that we will substantially fill the plant when we go to a second shift, but I don't expect we will reach the maximum 2,500 a week next year."

Ryton made 48,000 cars last year, including 9,000 for export. Set-up will be 48,000 this year, including 5,700 for export. Mr Whalen said he hoped the 306, also assembled at Ryton, would take 3 per cent of the UK car market next year and that by the end of next year the 405 would account for another 1.5 per cent. This suggests output at Ryton will be at least 80,000 units next year.

The British content of the two cars would be 65 per cent by ex-factory value, Mr Whalen said. Peugeot would spend several million expanding its Coventry Lane, Coventry, plants which will make dashboards for the UK-built cars.

Oilfield group acquires two US companies

By James Buxton, Scottish Correspondent

THE WOOD GROUP, the privately-owned Aberdeen oilfield services company, has acquired two US companies in its drive to expand into the oilfield services of the North Sea and acquire new technology.

The initial aim of the campaign is to convince Scots that the Labour Party, which won 50 of the 72 Scottish seats at the June general election, is unable to protect Scotland against Mrs

SIB in clash on unit trust pricing

BY ERIC SHORT

A SERIOUS clash between the Securities and Investments Board and the Unit Trust Association over the regulation of investment businesses when the financial services legislation becomes operative in April.

Under the 1986 Financial Services Act, no investment firm will be able to transact investment business unless it is authorised. These rules set out the conditions under which authorisation may be granted and control the way in which firms transact business.

Only those firms which chose to be directly authorised by the SIB, probably less than 1 per cent, will be directly governed by these particular rules.

The main purpose of these rules will be to act as a benchmark against which all other rules will be assessed. The theme of the financial services legislation is self-regulation within a legal framework.

SIB is the central watchdog operating the act on behalf of the Trade and Industry Secretary. The main authorisation procedures will be handled by five self-regulating organisations covering the various sectors of investment and financial services.

Each SRO has to produce its own rules and these have to be accepted by SIB before the SRO can be recognised. The rules will reflect the nature of operations within the sector covered by the SRO, though certain of SIB's rules have univer-

sally application. SIB will expect the SRO rules to be equivalent to its own.

The rules are little different from the draft issued earlier this year and scrutinised by the Office of Fair Trading. SIB had already reduced its proposed fee levels for small firms in response to the OFT's comments.

Two major changes have been made. First, the definition of business investor has been relaxed to include all investment business.

Second, customers will have to be warned if they are put into an investment business not controlled by the act, such as an overseas investment vehicle.

SIB has not moved on the thorny subject of polarisation-life assurance and unit trust intermediaries having to decide whether to be truly independent or representatives of just one company.

The published rule book is not complete but is subject for SIB to check against the rule books of the SROs. The following chapters of the book covering the following areas were issued yesterday.

Financial regulation: imposing requirements on minimum capital requirements, financial records to be maintained, statements and other information to be supplied and audited.

Conduct of business rules: the centre piece dealing with relations between firms and customers and the internal conduct of firms.

Unsolicited calls: controlling the circumstances under which an investment agreement may be entered into during or as a consequence of a "cold call".

Clients' money: requiring firms to segregate customers' money and to pay interest on it. The chapters on notification and cancellation are expected next month; the chapter on fees should appear in January.

The chapter on collective investment schemes cannot be issued until the necessary powers are transferred to SIB from the Department of Trade and Industry.

There are two important aspects SIB is prepared to adapt to meet the particular circumstances of an SRO:

It is discussing with the Securities Association rules on position risk and counterparty risk.

It is also discussing corporate finance activities with the TSA.

It is discussing with the Life Assurance and Unit Trust Regulating Organisation the rules on illustrations and product disclosure.

The rules of the SRO must be at least as strict as those of SIB which would be concerned if the rules were too strict. Every firm has the option of being authorised directly by SIB.

Details of the rules and costs can be obtained from The Securities and Investments Board, 3 Royal Exchange Buildings, London EC3V 3NL.

Bank to make extra bills issues

BY JANET BUSH

THE Bank of England yesterday announced it will supplement the usual weekly tender of 13-week Treasury bills with issues of nine-week bills from October 23.

The move is designed to preempt the large money market shortages which happen in the first few months of the year during the corporate tax-paying season.

Yesterday's announcement prompted speculation, particularly in the gilt-edged market, that corporation tax receipts could be even more buoyant than envisaged at Budget time.

The Bank said the extra issue was designed to smooth out seasonal fluctuations in the pat-

tern of central government borrowing. The expanded issue of bills would drain liquidity from the domestic money market in the domestic money market in late December and early January when they matured.

The Bank acknowledged the seasonal pattern of money market surpluses and shortages had become more accentuated as corporate profits, and therefore corporation tax receipts, had risen strongly over the past two years. It said expectations of particularly strong receipts this year had been the main motive behind the increase in bill issues.

In the next month, the £1.95bn

outstanding of a gilt-edged stock will be redeemed on November 3, injecting cash into the domestic money market. However, this will be offset by the first call on British Petroleum shares and the second payment on the long-dated gilts issued at auction last month.

The initial offering of the new nine-week bills today is expected to amount to £500m. The Bank is currently offering £100m of 13-week bills at the weekly tenders.

The Bank did not specify for how many weeks it would be issuing these extra bills, the first ones with a nine-week maturity since 1962.

DTI revises stock movement estimates

BY JANET BUSH

THE TRADE and Industry Department yesterday revised its estimates for stock movements during the second quarter of this year for the second time.

The DTI said stock held by manufacturing industry had fallen by about £180m in the period from April to June. Its provisional figures had indicated a rise of £200m.

Yesterday the department said it had discovered some misreporting in its revised data and now estimates manufacturing stocks rose by about £250m during the period. All figures are seasonally adjusted at 1980 prices.

The largest change in holdings of stock happened in the engineering sector. In September, the DTI estimated engineering stocks had fallen by nearly £320m, but yesterday's revised figures put the decline at about £25m.

The DTI said it had not revised its September estimates for stock holdings in other sectors of the economy.

Separate figures published yesterday by the Central Statistical Office showed another decline in the Government's long-term leading indicator of British economic activity in September. However, signals from the indicators are mixed as the other

leading indicators are still set on a rising trend.

The CSO said last month's fall in the longer leading index, which aims to signal turning points in activity a year in advance, reflected the continued rise in interest rates. The sharp fall in share prices during August was still depressing the index.

The shorter leader, which is supposed to signal turning points six months in advance, rose again in August, continuing its pattern of sustained growth since November. The index has been influenced particularly by buoyant consumer credit.

SNP launches independence campaign

BY JAMES BUXTON, SCOTTISH CORRESPONDENT

THE SCOTTISH National Party attempted yesterday to put independence for Scotland back on the political agenda with the launch of an autumn political campaign entitled: The Real Choice - Independence or Thatcher.

The initial aim of the campaign is to convince Scots that the Labour Party, which won 50 of the 72 Scottish seats at the June general election, is unable to protect Scotland against Mrs

Margaret Thatcher's Government.

The SNP has dubbed the Labour MPs the "feeble 50". Obtaining independence for Scotland, the SNP argues, is the only real alternative to Thatcherism.

The bill for devolution in Scotland, which Labour is to introduce in parliament later this year, will inevitably fail, Mr Alex Salmond, MP, recently elected the SNP's deputy leader, said in Glasgow yesterday, be-

cause Labour had not succeeded in forcing concessions for Scotland out of the Government.

"That means there will be only one real choice for Scots. For the first time in a decade, independence is back centre stage," he said.

The party wants to consolidate the independence vote in Scotland by pressing the economic case for independence.

Shell to build £90m gas separation unit

BY LUCY KELLAWAY

SHELL UK yesterday announced plans to spend £90m on building a gas separation complex at its Stanlow Refinery in Cheshire.

The investment will provide up to 350 jobs over the next two years, most of which will be filled locally.

The news was welcomed by unions representing Stanlow workers. The unions have seen many of their members there made redundant in the past few years.

The investment is part of a radical plan which, over a five-year period, has transformed Stanlow

from an inefficient and loss-making concern into a modern refinery.

The separation plant, due to be commissioned in 1989, will be attached to the £190m catalytic cracker, soon to be completed. It will use feedstock from the cracker

Clive Wolman traces the City career of Roger Seelig before his arrest

The ace of takeovers who was trumped

MR ROGER SEELIG, the former corporate finance director of Morgan Grenfell who was arrested yesterday by detectives investigating the Guinness affair, achieved a profile higher than almost any other City banker as a result of leading a series of successful takeover battles.

He was given a particularly free rein at the merchant bank Morgan Grenfell and, more than any other individual, was responsible for its rise to the position of the largest and most successful merchant bank adviser on mergers and acquisitions.

Morgan's approach allowed him to develop tactics for takeover battles which stretched ingenuity to its limits.

He always considered himself an innovator. At a party in Chelsea in the summer of last year, shortly after Guinness had triumphed in its £2.5bn takeover battle for Distillers, Mr Seelig was to be seen explaining enthusiastically to an audience why the existing rules and con-

ventions governing takeover battles were out-dated and unsatisfactory. People like himself, he said, were at the forefront of financial innovation by looking at the rules in creative ways.

His flamboyant character always immaculately coiffured, Mr Seelig loved to give the impression that he was constantly in a frantic rush. A mobile telephone would accompany him everywhere, in his car, at the opera, or in a restaurant.

He was skilled at squashing awkward questions from journalists by expressing complete disdain, but he was also capable of exercising considerable charm and grace when required. He would dominate the incessant meetings of company executives and their advisers during bid battles.

His methods of attracting new business enraged his rivals. During Burton's takeover bid for Debenhams, Mr Seelig acted as the adviser to Habitat Motocare, which was supporting



Roger Seelig: constantly in a frantic rush

and all the other participants were walking out of the building to their cars, he fell behind to speak to Mr Ralph Halpern, chairman of Burtons. He suggested to him that he should drop Warburg as his merchant bank if he wanted to pursue more aggressive and successful tactics.

Mr Seelig, aged 42, joined Morgan Grenfell in 1971 and became a corporate finance director in 1979. By 1986 he was earning a salary and bonus in excess of £250,000. He also took a series of stakes in some of the companies he had advised, such as Underwoods, the chemists.

The Guinness bid for Distillers in January 1986 marked the peak of his career. He played a major role both in persuading Mr Ernest Saunders to launch the bid and in devising a way of side-stepping the bid's referral to the Monopolies and Mergers Commission.

His career at the bank came to an end four weeks after the inspectors of the Trade and In-

dustrial Department launched their investigation of Guinness in December last year. He resigned after some of the details became public of a dispute between Morgan Grenfell and the merchant bank Henry Ansbacher over the ownership of a £7.5m tranche of Guinness shares which were acquired in the latter stages of its bid battle.

His resignation was followed three weeks later by those of two immediate superiors, Mr Graham Walsh, head of the corporate finance department, and Mr Christopher Reeves, chief executive.

Since then, he has refused to comment on his role in the Guinness affair. Immediately after his resignation, he spent most of his time in his country home but he has gradually become involved once again in City affairs and acted as an adviser to at least one of the parties which showed an interest in bidding for Storehouse (formerly Habitat-Motocare) last month.

THE PROPERTY MARKET

Busy time at British Land

BRITISH LAND has been busy. Properties have been moving in and out of the portfolio. Funds have been raised. Convertible bonds have been turned into equity. The market has liked the look of the shares and the price has risen. The last December share issue has been comfortably absorbed.

The disposals have helped to boost British Land's cash resources - over £100m of property deals with sales to other companies like Randsworth Trust and Dares Estates and another £30m for Grappenhurst, the last of the industrial subsidiaries.

So it has looked as if British Land is gearing up for some grand initiative. Mr John Ritblat, the chairman since 1970, tends to discount any notions that the disposals have been abnormal.

Take the industrial interest first. "We've sold at the moment in the cycle when the return we can get on the money is not far removed from the returns of the industry. We'd taken out the properties, kept the residual business and built up the goodwill, which is not in the balance sheet," he said. At the end of the day, British Land had made a capital profit.

Grappenhurst had been bought in 1984 for £11.5m as part of an industrial diversification policy. That phase has now finished with total industrial disposals worth nearly £55m against book values of £28m.

Now the properties. "We've been selling the trading stock," said Mr Ritblat. Even when trading properties was not as popular as it has now become,

as younger property companies rush to build up assets and property wholesalers like Mountleigh enjoy a vogue, British Land has held a trading stock of about 15 per cent of its portfolio.

"We've sold between 5 and 8 per cent of the portfolio every year. As we got bigger, the sales became larger, but the proportion has been the same," Mr Ritblat noted. But there is another point.

The property sales were "developments we've finished and which have served their purpose in the portfolio - and nearly all of them were leasehold," he said. Many of them were mixed use properties, not of the type that would interest the institutions.

The upshot has been to generate cash "which you can put on the street for 10 per cent" and the result has been sales near, or even at, the top of the market.

The sales though have to be set against the purchases over the last year or so - a £33m portfolio from Legal and General, the half share of the Euston Centre in London that it did not already own, plus three other buildings, from P&O for £28m financed by a £100m share placing.

When the purchases are set off against the sales, the share placing and other fund raising - the £33m convertible bond issue, now fully converted, a £100m unsecured multiple option facility - the end effect is to leave the group both with a bigger portfolio and plenty of cash.

Analysts calculate that British Land's gearing is now down

to less than 25 per cent. Mr Ritblat himself commented that "we can support big deals without resorting to paper". The last he tried was a bid for the Fleming Property Unit Trust which eventually went to Scottish Provident Institution for £204m cash.

Where he will move next is not clear. Speculation, originating in Tokyo, is that a deal could be signed with Sumitomo Bank, with which British Land now has a normal banking relationship, and Shimizu, the contracting group which last year had contracts of £7.12bn, of which \$761.4m came from abroad, for a joint venture company.

Such co-operation between British property groups and Japanese construction companies is a developing trend on the UK market - witness the links between Glengate and Kumagai Gumi and between City Merchant Developers and Nishio Iwai. And Sumitomo Bank is beginning to carve a niche for itself on the property market.

More generally, British Land is strong enough to be bold, although it will never be less than careful. "The market moves in cycles - you can't stay stuck in it. Our experience is that if you've got cash and facilities and try to anticipate the markets, you make money," observed Mr Ritblat.

Within that framework, there is one thing certain. British Land will be looking for freehold properties. Although it has stakes in Paternoster Square and 1 Finsbury Avenue in the City of London, for example, its style is outright ownership.

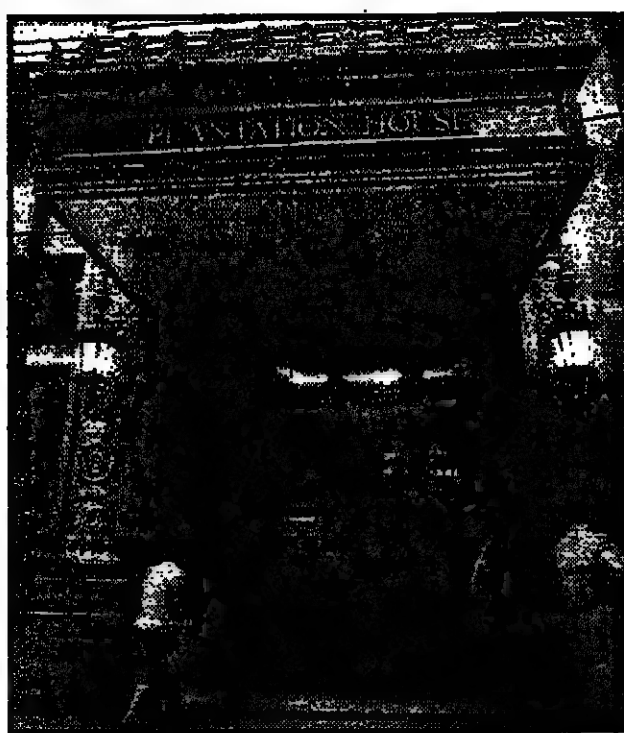
This is quite different from companies like Arlington, Rosehaugh and Stanhope where there is no hesitation in setting up associate companies so that the risks, and indeed, the rewards, of a development are less.

But it is a course which can only be adopted from the base of a strong balance sheet. It is a course followed by the long-standing investment companies like Land Securities, Hamersley, MEPC, Slough Estates.

And British Land, according to the latest annual report, has gross assets of £1bn, net assets of £251m and an investment property portfolio valued at £220m. Although 62 per cent of the property portfolio is in central London, the search for freeholds will go wider. "We're now thinking of buying more provincial properties," said Mr Ritblat.

There is no immediate hurry though. Management of the portfolio is aggressive in the sense that there is a £1bn new building and redevelopment programme in London which could add 2m square feet of new space to the portfolio. This embraces both new ventures, like the Brunel Centre in London Docklands, and opportunities which spring from the existing business, like the reconstruction of the Rank Xerox Tower at the Euston Centre.

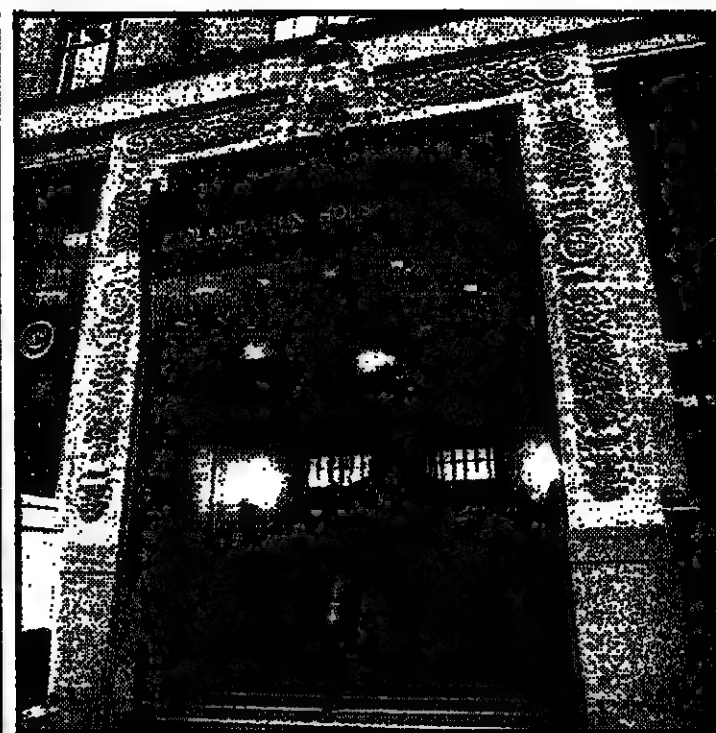
But the management is also defensive in that it makes certain that the roll of rent-producing properties is kept up. If the going gets tough the developments can always be halted. "We're extremely well off," Mr Ritblat said.



PLANTATION HOUSE (above) one of British Land's core holdings in the City of London. The group earlier this year spent £27m to buy neighbouring buildings so that it now has a site of over 2 acres which could at some stage be redeveloped.

Planning permission had been granted for 565,000 square feet of offices before the acquisition. Now there is a new application outstanding for 800,000 square feet.

Just over the road, the Prudential is planning a 500,000 square feet redevelopment of five buildings on three acres. The City



Corporation's planning committee has recommended approval and work should start next year for completion in 1990 when the completion value will be around £400m.

What both sites have in common is the fact that the owners have held them for a long time - British Land since 1971 and the Pru since 1970. So they have a huge financial advantage over newcomers to the City.

Mr Ritblat thinks Plantation House could be redeveloped for around £120m, an amount relatively easily absorbed given the size of the British Land balance

sheet. It is valued as an investment by Weatherall Green and Smith at £200m, Mr Ritblat said, "but if we realised it and sold it, it would be more like £400m."

British Land is thought to have received at least two firm offers from Japanese interests, one of which was for about £350m. Plantation House is not in fact for sale, but it is saleable - like other parts of the British Land portfolio.

"There's nothing sacred," said Mr Ritblat. If, as he put it, Plantation House were to be sold "at a level which anticipates the immediate

future", or, to say it another way, the price was rather more than £350m, and if the proceeds were dealt with in a tax-efficient way, there could be advantages in a sale.

Tax efficiency should not be a problem. The group prides itself on being consistently good at it. And the advantages of sale would be, as Mr Ritblat lists them, the provision of cash for counter-cyclical investment, colossal profits on the revenue account, no gearing and no borrowing. Holding or selling: it is an agreeable choice to make. Either way there need be no hurry.

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US BUDGET DEFICIT

J H Makin spotlights the perils of Washington's 'spend now, pay later' policies

Why the US must tailor its budget deficits

AMERICA AND the world will be especially in need of great leaders for the balance of the twentieth century. This is because we have, for at least the past 25 years, had skilful politicians masquerading as great leaders.

Nowhere has this distance between aspiration and reality been more clearly demonstrated than in America's five year struggle to bring its spending into line with its income.

The new balanced budget law, advertised as a means to restore health to the 1985 Gramm-Rudman-Hollings law, does nothing of the sort.

It was aptly described by Senator Pete Domenici of New Mexico, the ranking Republican on the budget committee, as a "six-year game plan to a balanced budget when we have no fixed targets in the first two years."

Senator Domenici opposed the proposal, although he was a strong supporter of the original Gramm-Rudman-Hollings law. Everyone close to the American budget process knows that deficit cutting has been put aside until after next year's presidential election. The President made it official when he signed the new toothless budget bill on September 23.

Cleverly, Congress had sent its bill, touted as deficit reduction medicine, to the President just as finance ministers and bankers from all over the world were converging on Washington for the annual meeting of the International Monetary Fund and World Bank.

The bill included a provision to increase the United States debt limit from \$2,300bn to \$2,800bn enough to accommodate Treasury borrowing into the first half of 1989.

By signing the bill, the President avoided having some of America's biggest creditors watch from ringside seats in Washington as the Congress scurried to pass, in just three days, yet another debt ceiling



Warren Rudman (left) and Phil Gramm

extension needed to avoid a default on interest payments on America's debts.

It would be bad form to demonstrate clearly for the major buyers of Treasury securities that Congress and the President are so far apart on budget policy that they regularly have threatened each other with financial suicide by trying budget measures to debt ceiling extensions required to continue paying interest on America's \$2,300bn national debt.

The new budget measure comes complete with deficit targets that proceed linearly to zero by 1993.

Quibblers will notice that the fiscal year 1988 target has slipped to \$144bn from the Gramm-Rudman-Hollings level of \$108bn. The FY 1989 target for the fiscal year beginning October 1988, and therefore, the focus of budget discussions during a Presidential election year, has slipped a whopping \$54bn from \$72bn to \$136bn.

Sadder than the slippage is the extremely low probability that these "slipped" targets will be met. Congress has virtually

assured that deficits will grow in 1988 and 1989.

First, it has specified that \$23bn in FY 1988 and \$38bn in 1989 are maximum amounts that can be sequestered. Second, it has specified that, prior to sequestration, the "sequester baseline" will be raised by amounts necessary to reflect inflation and to protect pay increases of US government employees.

These two provisions will virtually eliminate the impact on expenditure of the so-called sequester. If inflation runs at 3 per cent and the sequester base is \$380bn, the inflation adjustment alone adds \$17.5bn to the baseline. Add another 1 per cent, or \$3.8bn, to protect Federal pay for a total baseline adjustment of \$21.3bn and the maximum FY1988 sequester cuts outlays by a net of \$2bn.

There's more. In case the Congress does not like the outcome of the new, toothless budget bill, there is an escape clause by means of which it can modify the final Presidential sequester order.

Within 10 days after issuance of the final sequester report, America's leaders, confronted with an election season dur-

ing which they lack the will to confront difficult yet urgent choices on budgetary matters, have chosen to pay later rather than pay now.

No doubt they have accurately measured the pulse of an electorate that, by its own behaviour, clearly demonstrates a preference to let its children pay later.

More than ever it seems that we shall await the worst possible time, a recession, to initiate measures aimed at deficit reduction.

At that time, the deficit will rise to about 6 per cent of a \$5,000bn GNP, or about \$300bn in 1989. The time for credible prospective deficit reduction measures will have passed and Americans will end up setting aside \$250bn a year just to pay interest on their government's debt.

Maybe the Congress really is trying to speed up deficit reduction after all.

The men and women in that reactive institution know that decisive measures are impossible without a real crisis. The Gramm-Rudman-Hollings "non-fix" of 1987 will result in higher interest rates that will help to speed up the onset of a recession.

The resulting budget crisis will generate some action to cut deficits after the recession. The cost of paying later will be an extra \$100bn a year in interest charges on the national debt, much higher taxes, and a choice between a significantly reduced leadership role for the United States in the world.

Americans and their allies around the world would do well to start thinking about that choice now. So, too, would the field of American presidential candidates since one of them will be confronting such choices in January of 1989.

The author is Director of Fiscal Studies at the American Enterprise Institute, Washington D.C.

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America's leaders, confronted with an election season dur-

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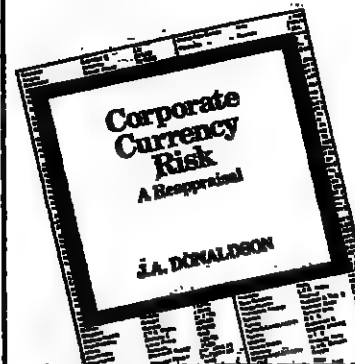
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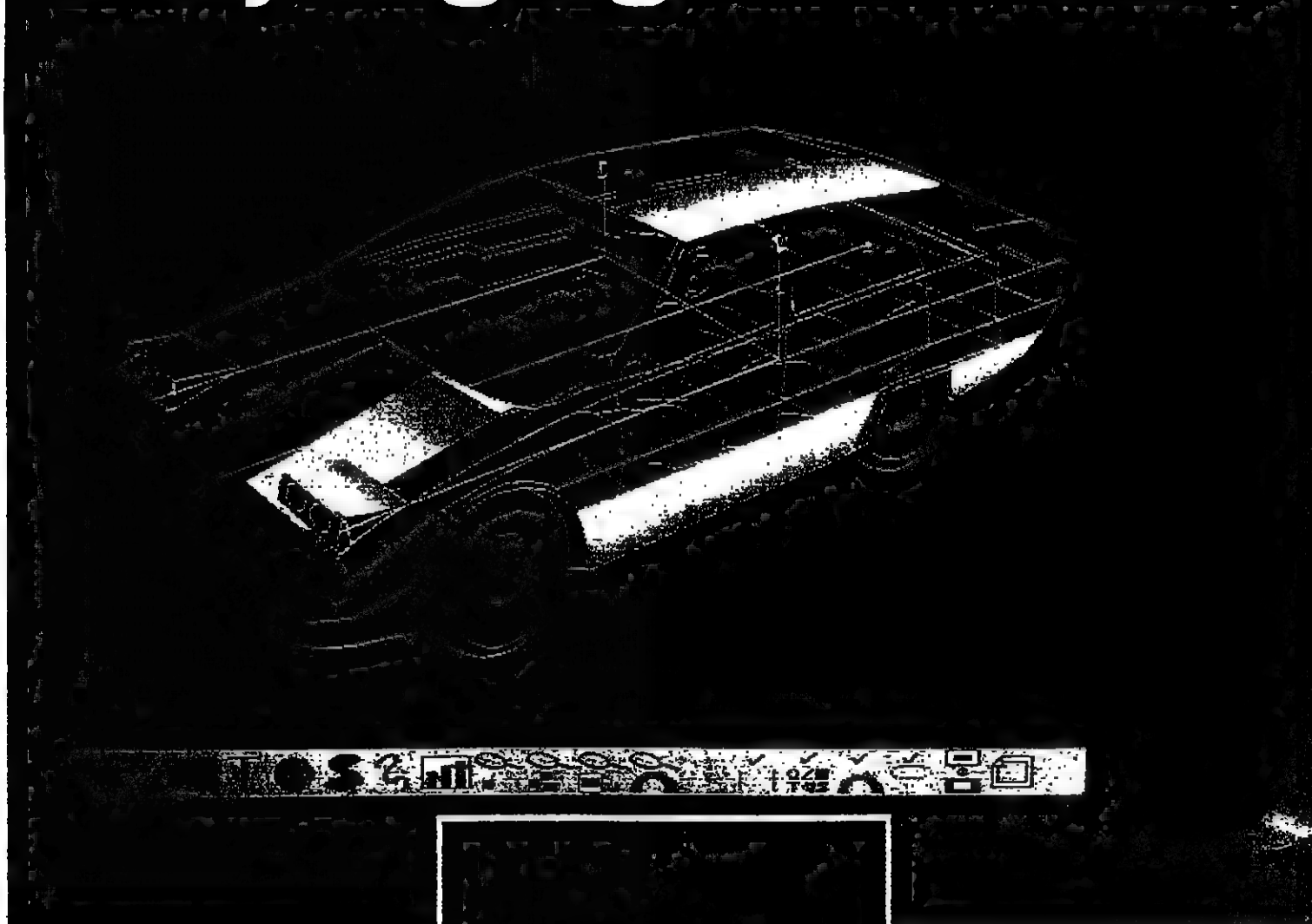
On and after the Redemption Date, the Notes will become due and payable upon presentation and surrender thereof, with the November 15, 1988 and subsequent coupons attached at the office of Chemical Bank, 180 Strand, London or the principal offices of Chemical Bank in Paris, Frankfurt am Main and Zurich, or at the principal office of Banque Generale du Luxembourg S.A., in Luxembourg or Banque Bruxelles Lambert S.A., in Brussels.

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CANADIAN NEWSPRINT

Robert Gibbens on a turnaround at the Canadian newsprint producer

Bright outlook for revitalised CIP

CIP, Canada's second largest and least-known newsprint producer with estimated 1987 sales of C\$2bn (US\$1.58bn), is emerging with newfound vitality from five years of penury.

Debt is down, profits are up - with rising prices for almost all paper products - and speculation continues that in the medium term its parent, Canadian Pacific, will take it public.

CIP is an established company with mills and converting plants mainly in eastern Canada. It will soon be the first eastern company to produce newsprint in the west.

The company has started work on a new mill - with an annual capacity of 230,000 tonnes and a thermomechanical pulping unit - alongside its existing Gold River bleached cross pulp mill, situated on the west coast of Vancouver Island.

The existing pulp mill, with annual capacity of 235,000 tonnes, will continue to sell to customers in North America and overseas markets.

The Gold River newsprint project, costing C\$360m including working capital, will have infrastructure for a second machine to be added when the fast-growing markets on the US west coast and Asia absorb the output.

Mr Cecil Flenniken, chairman, said CIP completed the detailed feasibility studies for Gold River and lined up several US partners in six months.

The 335.6-in trim-width Beloit machine now on order will run at average speeds of 4,200 ft a minute. Man hours per tonne of output will be around 1.2, compared with four to five in the more modern mills in Canada.

This productivity rate, if achieved, will be competitive with any new mills in Scandinavia or the US.

An energy deal is being negotiated with British Columbia Hydro.

Mr Flenniken will not divulge

the identity of Gold River's US partners, though one is a leading distributor. They will take up to 70 per cent of the output and will be minority owners of the mill.

Gold River is not the only gleam in the chairman's eye. CIP, buttressed by rising product prices, is keenly interested in newsprint made from kenaf, a non-wood fibre that grows to a height of 10 ft in less than three months in the southern US.

CIP, in co-operation with US interests, is believed to be working on a feasibility study for a kenaf mill. The plantations are already in place.

The fibre, which is grown in south Texas, must be turned into pulp in Ohio then shipped to a CIP mill near Montreal for conversion into newsprint, the proportions being 30 per cent kenaf and 10 per cent bleached softwood pulp.

The newsprint has been used by several US newspapers on a trial basis. It provides remarkable sharpness and clarity in colour reproduction and not only is it whiter than standard sheet but newsprint made from

kenaf can be stored almost indefinitely without fading or turning yellow. It also takes less ink to print on kenaf newsprint.

Mr Flenniken said: "We know how to grow kenaf and how to harvest it with cost-cutting equipment. But we need a lot more confidence that it can be delivered to the mill efficiently."

"We are very interested but we are not yet ready to commit the hundreds of millions of dollars it would take to build, say, a 200,000-tonne mill and newsprint machine in the south

dug itself in for five years, shut down uneconomic plants, trimmed overheads and concentrated about C\$400m of spending on making the surviving pulp, newsprint and paper products operations competitive.

CIP pumped more equity into CIP to reduce the interest burden, and then late in 1985 relief came as world pulp prices began to recover from their all-time low of 1982.

The posted North American newsprint price will rise to US\$650 a tonne on January 1, and many observers see a further increase before 1988 is out.

CIP's debt-equity ratio is down to about 30:70 and the company earned C\$44m in the first half of 1987. It will do much better in the second half, and Mr Flenniken is optimistic about 1988.

The only uncertainty is the possibility of a North American economic downturn in 1989.

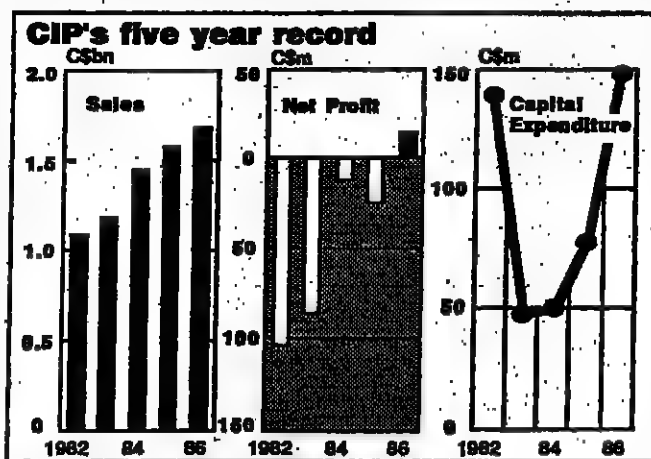
With Gold River hopefully in operation by autumn 1989, CIP will have nearly 1.5m tonnes of newsprint capacity, 400,000 tonnes of paperboard and packaging, 80,000 tonnes of tissue products, four mills and a hardboard plant.

Mr Flenniken said CIP could afford Gold River and big spending on modernisation and expansion at its other mills because of a turnaround in profitability.

With Gold River, capital spending will double to well over C\$300m a year in the 1989-1990 period. It is near to a decision on a big modernisation development at its New Brunswick newsprint mill, one third of which is owned by Oji Paper and Mitsui of Japan.

But CIP's chairman would not comment on when the company might go public.

"That depends entirely on the parent company," he said.



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Royal Trustco has strong third quarter

BY DAVID OWEN IN TORONTO

ROYAL TRUSTCO, Canada's second largest trust company which is part of Peter and Edward Bronfman's far-reaching empire, reported a 33 per cent rise in net third-quarter income this week on the back of strong growth in both the international and domestic business divisions.

Net income for the quarter ended September 30 totalled C\$24m (US\$17.7m) or 34 cents

per fully diluted share, up from C\$17m or 26 cents a year earlier. Total revenues reached C\$477m in the latest period, compared with C\$477m in the corresponding 1986 period.

Mr Michael Cornelissen, president and chief executive, expressed particular pleasure at the performance of the company's international operations, whose income, he said, "is well

ahead of 1986." Contributions from last year's acquisitions, he added, "are well ahead of expectations."

Royal Trustco has been expanding rapidly into new product areas both in advance and in the wake of Canada's ongoing deregulation of the financial services industry. Total assets at the end of the latest period were C\$22.2bn, compared with

C\$19.1bn at the end of the 1986 third quarter. Total assets under administration, meanwhile, had risen to C\$83.5bn, against just C\$66.4bn a year ago.

Earnings in the nine months to September 30 totalled C\$143m or 96 cents a share, on revenues of C\$1.63bn. This compared with C\$117m or 83 cents a share on revenues of C\$1.32bn in the corresponding 1986 period.

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APPOINTMENTS

Reorganisation at Allied Dunbar

Allied Dunbar has formed a new division, ALLIED DUNBAR ASSET MANAGEMENT. This replaces three former departments at Allied Dunbar and integrates all the group's investment management operations. The chairman and chief executive of ADAM will be Mr Hugh Jenkins. Mr Jenkins becomes vice chairman. Following the appointment of Mr Raymond Stables, formerly with Murray Johnstone, as director European international investment, a further director is being added to the board. Mr Howard Geddes, previously with Nippon Kōkō, is appointed as director of Asset Management, joins ADAM and is appointed to the board as a UK equity director.

Mr Martin Vaux has joined RIVLIN as group chief accountant from the Corporation of Lloyd's.

OKY-DRY CORPORATION of Chicago, US, has appointed Mr Anthony Houchens, formerly with McCrory, as managing director of its UK subsidiary OKY-DRY (UK).

Mr David Metcalfe has been appointed to the executive board of TRADE PROMOTION SERVICES. Former joint managing director Mr John Williams has become chairman.

Mr A.R. Grant has been appointed managing director of GEC INSTALLATION EQUIPMENT, based at Liverpool. Mr Grant, who succeeds Mr N. Scowles, was previously director and general manager of the company's fuse-gear division.

Mr Barry Fitzgibbon has been appointed managing director of COOPER ESTATES.

PROMARK (GROUP) SECURITIES has made the following changes: Mr Stan E. Cole resigns his managing directorship, but remains chairman of the group and its subsidiaries. Mr Martin R. Strawford becomes managing director of Midland Magazines. Mr Michael Croftley is appointed operations director of Hadley Books. Mr Michael J. Strawford is appointed distribution director of Hadley Books and Mr Anthony J. Sedgewick has become managing director of Stan Hadley. Mr Richard J. Sheward has been made operations director at Stan Hadley. Mr John R. Barry and Mr Dennis J. Badger are appointed non-executive directors with Mr Martin Medling, financial director of Promark Investment Management.

The SHIELD GROUP has appointed Mr R.A.M. Ledwith to its board.

Mr Bryan R.J. Wakeham is resigning as deputy chairman and a director of LESLIE & GODWIN MARINE, but will remain a director of LESLIE & GODWIN and will have consultancy responsibilities for certain specific accounts.

THOMAS LOCKER has appointed Mr Harrison Blair a director.

At TOWSE LAW & CO Mr David Alastair and Mr John Headman have been made directors.

The commercial functions of the two companies in the BEATRICE POULTRY GROUP - Butterfield Foods and Hinton Poultry - are to be combined and a new board structure introduced. The board will comprise Mr Andrew Ditcher, managing director, Mr Gerry Feenma, sales director, Mr Chris Lamb, marketing director, and Mr Graham Threlfall, operations director, Hinton Poultry.

Mr Owen Rich, deputy chairman of ALFRED McALPINE, retires from the board on October 31. He remains on the board of Alfred McAlpine Construction and continues as chairman of Alfred McAlpine Pension Trustees. Mr Tony Scurr will be appointed deputy chief executive of Alfred McAlpine Minerals on the same date. Mr Scurr is divisional director of Alfred McAlpine Minerals. Mr Euan McAlpine, a director of Alfred McAlpine Minerals and formerly managing director Alfred McAlpine Homes East, will be appointed to the board of Alfred McAlpine, and succeeds Mr Scurr as managing director of Alfred McAlpine Minerals.

Mr Stephen C. Knight has been appointed chairman and managing director of PRIVATE LABEL MORTGAGE SERVICES. Mr Geoffrey Bright has become head of sales.

Mr Stuart Hopkins has been appointed a senior fund manager by GARTMORE PENSION FUND MANAGERS.

BAKER & MCKENZIE has admitted the following as partners in its London office: Mr Christopher Bown, Mr Nigel Carrington and Mr Jeremy Winter.

On November 1 Mr Brian D. Stanley, director, aviation, Kuwait Petroleum International Aviation Co in London, is appointed managing director of KUWAIT PETROLEUM (GB). Mr John F.M. Auld, formerly managing director of Ultramar Golden Eagle, is appointed director - aviation, Kuwait Petroleum International, replacing Mr Stanley.

QUEENSLAND COAL FINANCE LIMITED
By: BankAmerica Trust Company of New York,
as Principal Paying Agent

Dated: October 16, 1987

Public Notice

Re: ORDER of 1987
In the HIGH COURT OF JUSTICE, Chancery Division, Companies Court. In the matter of DOCKMART LIMITED and in the matter of its Liquidator.

By Order of a Meeting of the Company's Creditors held on 28th September, 1987, the Creditors of DOCKMART LIMITED have appointed LIQUIDATOR of the above named Company.

Dated the 7th day of October, 1987.
BRIAN BILLS
LIQUIDATOR.

Company Notice

SHOBANK
US\$100,000,000 FLOATING RATE
SUBORDINATED NOTES DUE 1991

In accordance with the terms and conditions of the notes, we hereby give notice that the interest rate for the period from October 15, 1987, to April 15, 1988, will be 9 3/4 per cent per annum. Interest payable will be US\$465.71 per coupon for US\$10,000 denomination notes.

BANQUE GENERALE DU LUXEMBOURG
Societe Anonyme Agent Bank

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FT LAW REPORTS

Commercial case cannot change courts

MORGAN GUARANTY CO OF NEW YORK v HADJANTONAKIS AND ANOTHER

Queen's Bench Division (Commercial Court); Mr Justice Hirst; October 12 1987

AN ACTION started in the Commercial Court will not be transferred to another Division of the High Court for the purpose only of achieving an earlier hearing.

Mr Justice Hirst so held when refusing an application by the plaintiff, Morgan Guaranty Co of New York, for transfer of its action against defendants, Mr Demetris Hadjantonakis and Mr Ioannis Katsikis, from the Commercial Court to the Chancery Division, or to the general Queen's Bench list.

HIS LORDSHIP said that Morgan Guaranty claimed \$1.85m under a supplemental personal guarantee by which the defendants had guaranteed performance by a shipping company of a supplemental loan agreement. The original agreement was for loan of \$3m for the purchase of a ship by the company. The supplemental agreement related to an outstanding debt of \$1.75m.

The issues in the action were whether there was an agreement that the guarantees would not be enforced; whether there was an agreement that they would not be enforced in England; and whether the alleged non-enforcement term and jurisdiction term survived execution of the supplemental guarantees.

On September 22 the defendants, for the first time, applied for a stay. The application was refused by Mr Justice Evans.

There were appeals from both orders. The Court of Appeal (1987) 2 FTLR 78 said the action was in a tangle because of inconsistency between an application for final judgment under Order 14, and concurrent acknowledgment that evidence might ultimately show the English court had no jurisdiction; and because of the different criteria on an application for summary judgment and an application for a stay.

The Court of Appeal allowed both appeals and directed that the judge in the Commercial Court should decide how the case would be conducted. It was now common ground that the sensible course was for all factual issues concerning non-enforcement and jurisdiction, should be tried together. The estimated duration of trial was 10 working days.

The probable date of trial, having regard to the state of the respective lists, would be: Chancery Division - summer 1988; general Queen's Bench list - summer 1989; Commercial Court - early 1989.

Mr Stamler for Morgan Guaranty argued it was entitled to the speediest possible trial, and that the court should look favourably on an application for transfer, unless there were special aspects of unfairness to the defendants, or of inconvenience to the transferor or transferees.

The jurisdiction of the Commercial Court was governed by Order 72 of the Rules of the Supreme Court. It provided that "commercial action" includes any cause arising out of the ordinary transactions of merchants and traders, construction of a mercantile document, banking and mercantile usage.

In *Zakheim International Construction Ltd v Nippon Kohkan KK*, May 11 1987, Mr Justice Staughton said that difficulty arose from "includes" which indicated that other actions might be commercial beside those listed.

His practice was to consider whether a judge with experience of business disputes would try the case more efficiently than any other judge.

He said "I would not think it right to grant an application for transfer solely on the ground that waiting time is less elsewhere; there must be something more than that, if only a scintilla of a suggestion that the action would be better tried in another court, or perhaps some special need for haste."

Mr Stamler submitted that the present case fell within the criteria for transfer laid down by Mr Justice Staughton. If that were wrong, he submitted, the judge's approach was erroneous and the court should decline to follow it.

With regard to the latter point, Mr Stamler said the purpose of the Commercial Court was to meet the special problems of the commercial community. That purpose was not served by the Commercial Court retaining actions which could properly and more speedily and conveniently be tried elsewhere.

Mr Justice Staughton's decision was given only five months ago. It was important in matters of procedure that the Commercial Court should speak with one voice and avoid uncertainty. If the principle laid down so recently by Mr Justice Staughton were wrong, it would be for the Court of Appeal to say so.

The present court agreed wholeheartedly with Mr Justice Staughton's decision and reasoning.

If Mr Stamler's propositions were adopted, further applications would inevitably follow and it was difficult to see why any distinctions should be drawn once the precedent had been created.

The Commercial Court judge would thus end up unilaterally imposing a redistribution of work without any overall view of the implications, in particular of the effect on the pattern of work elsewhere.

Such a radical shift of work loads should not be undertaken without the benefit of a synoptic view, without which it was impossible to make a proper evaluation of the more convenient administration of justice.

With regard to the application of the judge's statement of principle, the foremost consideration was whether the action was a commercial case.

The question whether the non-enforcement term and jurisdiction term were agreed and, if agreed, whether they survived the supplemental agreements, must be considered against the background and in the context of normal banking practice, and the normal canons of conduct of borrowers and guarantors when negotiating loans for ship purchases.

Those were just the sort of matters which, to adopt Mr Justice Staughton's test, fell within the experience of Commercial judges in trying business disputes.

The next question was whether there were any special considerations in favour of a transfer.

Mr Stamler cited the delays which had already taken place.

It was not a case where the plaintiffs would suffer financial hardship or any other special disadvantage in the absence of a speedy trial. Consequently delay, past or prospective, was not a legitimate special factor.

The background and context against which the issues had to be judged was within the banking and shipping world, with which the Commercial Court customarily dealt.

No valid case for transfer to the Chancery Division, nor to the general Queen's Bench list, had been made out. The application was refused.

For Morgan Guaranty: Samuel Stamler QC and Catherine Otton-Gould QC (Watson Farley & Williams)

For the defendants: David Hunt QC (Constant & Constant)

By Rachel Davies
Barrister

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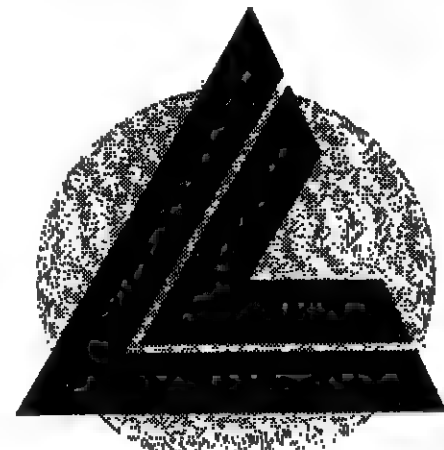
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(Incorporated in the Republic of South Africa)
A MEMBER OF THE GOLD FIELDS GROUP

SUBDIVISION OF SHARES OF GROUP GOLD MINING COMPANIES

At the annual general meetings of the undermentioned companies held on 12 October 1987, the following special resolutions were passed:

Company	Increasing Authorised Capital	Subdivision of Shares
Doomfontein Gold Mining Company Limited (Registration No. 0524709/06)	From R20 500 000 in 20 500 000 shares of R1 each to R21 250 000 in 21 250 000 shares of R1 each	Subdivision of Shares of R1 each to 45 000 000 shares of 25 cents each
Libanon Gold Mining Company Limited (Registration No. 0506381/06)	From R8 000 000 in 8 000 000 shares of R1 each to R9 000 000 in 9 000 000 shares of R1 each	From 9 000 000 shares of R1 each to 45 000 000 shares of 25 cents each
Venterspost Gold Mining Company Limited (Registration No. 0505632/06)	From R5 050 000 in 5 050 000 shares of R1 each to R6 250 000 in 6 250 000 shares of R1 each	From 6 250 000 shares of R1 each to 25 000 000 shares of 25 cents each
Driefontein Consolidated Limited (Registration No. 680088/06)	Not Applicable	From 110 000 000 shares of R1 each to 220 000 000 shares of 50 cents each

Circulars containing forms of surrender have been posted to the respective registered shareholders of the companies and shareholders should submit the completed forms of surrender together with their share certificate(s)/document(s) of title to the Transfer Secretaries at the address shown on the forms of surrender.

The Johannesburg Stock Exchange has agreed to amend the listings of the Doornfontein, Libanon, Venterspost and Driefontein Consolidated shares with effect from 9, 16, 23 and 30 November 1987, respectively. Similar applications have been made to the Council of the Stock Exchange, London, to effect the necessary amendments to the listings of the companies' shares on that exchange.

Details on the Johannesburg Stock Exchange and on the Stock Exchange, London, until the close of business on 6, 13, 20 and 27 November 1987, in respect of each of these companies respectively, will be in existing share certificates and deals with effect from 9, 16, 23 and 30 November 1987, respectively, will be in new share certificates.

Registered and Head Office: 75 Fox Street, Johannesburg 2001.
15 October 1987

London Office: 21, Charles II Street, St James's Square, London SW1Y 4AG.
United Kingdom Registrar: Hill Samuel Registrars Ltd, 6 Grosvenor Place, London SW1P 1PL.

NOTICE OF REDEMPTION

BANCO DI ROMA

LONDON BRANCH

U.S. DLRS 20,000,000
NEGOTIABLE FLOATING RATE
CERTIFICATES OF DEPOSIT DUE MAY 1989

NOTICE IS HEREBY GIVEN to the holders of the certificates of deposit (the "certificates") in accordance with the above issues conditions, that Banco di Roma (the "Bank") has elected to repay the principal amount of the certificates on 30th November 1987 (the "Redemption date"). Payment of the principal amount upon each certificate, together with accrued interest thereon to the redemption date, will be made on the redemption date against presentation and surrender of the certificates at the London branch of the bank at 14/18 Eastcheap, London EC3M 1JY.

Interest on the certificates shall cease to accrue from and after the redemption date.

Reference Agent:
The Long-Term Credit Bank of Japan Ltd., London Branch

Dated 15th October 1987

ACCOUNTANCY

Publication date November 20 1987
Advertisement copy date November 6 1987

The Financial Times proposes to publish this survey on the above date.

A number of areas will be covered including:

- Audit
- Management Consultancy
- The importance of medium sized firms
- Corporate Finance

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Please address all inquiries or suggestions concerned with the editorial content of this survey in writing to the Surveys Editor

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FINANCIAL TIMES
EUROPE'S BUSINESS NEWSPAPER

THE ARTS

Arts Week

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16 17 18 19 20 21 22

Exhibitions

LONDON

The Tate Gallery, Turner in the new gallery, the Turner House, the new amounts to nearly 300 oil paintings, finished and unfinished, and a further 19,000 or so watercolours and drawings, has been a source of controversy and discussion ever since it came into the nation's hands more than 130 years ago. Turner had always wished for a gallery to himself which would show all aspects of his work. Whether he would have approved of James Stirling's extension to the Tate as a suitable setting is a moot question. The larger paintings may be hung too low for one who lived in a more recent age, and the tasteful out-of-the-way Stirling has been the principal galleries is a far cry from the rich plan he is known to have preferred. The vulgar neo-classical of the entrance hall has little to recommend it. But eight rooms for paintings and one for watercolours give room enough, and with the three reserve galleries upstairs, every painting but the few in restoration or on loan is on the wall.

PARIS

Bibliothèque Nationale: Fine Prints in France from the 16th to the 19th Century. More than 200 impressions of exceptional quality from the print department of the Bibliothèque Nationale show the infinite possibilities of artistic expression through the techniques of printmaking. The panorama ranges from early engravings showing strong Flemish, German and Italian influences to the 19th-century Grand Siècle style under Louis XIV, from Boucher's pastiche subjects to the modernism of Toulouse-Lautrec and the striking colours of Bonnard. Bibliothèque Nationale is closed Mondays, 88 rue Richelieu. Ends Nov 2.

Engagement: The Grand Palais is staging the first retrospective of Francis Bacon, the English painter and sculptor. The exhibition includes 130 sculptures, 51 artists, and covers four decades. It offers a view of graphic works that have not been seen in East Germany before. The artists are Gustav Seitz, Fritz Koenig, Werner Stuber, Hermann Glos, Hans-Joachim Wollschläger, and Franziska Lohbeck. The show will be in Bonn until October 18 and then to Munich. (Staatliche Kunsthalle, Bonn, Nov 3-Jan 3) and Mannheim. (Städtische Kunsthalle, Jan 23-Feb 21).

WEST GERMANY

Bonn, Rheinische Landesmuseum, Colmarstrasse 14-16: Sculpture from the German Democratic Republic (East Germany). A result of the cultural agreement of May 1986 between East and West Germany, this exhibition includes 130 sculptures, some of them larger than life, and about 60 paintings of sculptures by 51 artists, and covers four decades. It offers a view of graphic works that have not been seen in East Germany before. The artists are Gustav Seitz, Fritz Koenig, Werner Stuber, Hermann Glos, Hans-Joachim Wollschläger, and Franziska Lohbeck. The show will be in Bonn until October 18 and then to Munich. (Staatliche Kunsthalle, Bonn, Nov 3-Jan 3) and Mannheim. (Städtische Kunsthalle, Jan 23-Feb 21).

AMSTERDAM

Amsterdam, Museumtheater: The Netherlands Philharmonic, with Neil Rosenbaum in the title role, Susan Marie Piersen (Elinor), Harry Peeters (Philip II), and Mimi Lerner (Princess Eboli) (The). The National Ballet company in Amsterdam, a new work by Carolyn Whalley, to music by Gabriel Fauré. (Wed 8 p.m., Thurs 8 p.m., 200-445).

ENGLISH NATIONAL OPERA, COLCHESTER

Werther: in the new staging by Keith Warner, with Arthur Davies and Ann Murray in leading roles; Sondheim's *Overtones*, a worthy addition to ENO schedules and Black's *Peasants*, musically excellent (conducted by Claus Mackerras, with Valerie Masterson) Adina Martin and Sergey Leiferkin, dramatically less persuasive as produced by Philip Frowe. (838 316).

THE NETHERLANDS DANCE THEATRE

The Netherlands Dance Theatre with the premiere of *Song of the Night* (Murphy/Soyanovsky), *Rococo* (Trotter/Scott), *Silent Cities* (Sylvia/Debus), and *Sea-World* (Kjellin/Mozart), in Utrecht, Stadsschouwburg (81 624), Wed and Thurs in The Hague, Deutscher (49 430).

SCANDINAVIAN CIRQUE THEATRE

The Scapino Ballet with Pulcinella (Christie/Schwarz), in the Future (Van Marrewijk/Byrne), Bagatelles (Wubbe) and Strips (Christie/Schwarz) (85 88 00).

ENGLISH NATIONAL OPERA, COLCHESTER

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Cinema/Nigel Andrews

Reactions from the gut

The British section is especially strong: look out for Bruce Robinson's comedy of middle-class life *Wages* and David Leland's witty-eloquent tale of sex and growing up in 1960s England *Wish You Were Here* and Sammy and Rosemary's *My Darling Clementine*. Throw in Thatcherite Britain by the *My Beautiful Launderette* team, Stephen Frears and Nanip Kureishi.

Richard Attenborough's new film *Rich Freedom*, about the Steve Biko affair, joins the choice handful of movies getting big cinema screenings in Leicester Square. Also in the line-up: Coppola's *Garden of Stone*, Bill Forsyth's *Housekeeping*, Paul Newman's *The Glass Menagerie*, and Michael Mann's gleaming new film *Manhunter*.



Circumstances beyond control having kept me from seeing *Don't Worry and Be Happy*, *Dancing* (reviewed last week) the week's only other noticable treats are *Private Investigations* and *Snow White And The Seven Dwarfs*. *Private Investigations* is a Nickle Deek, is a riotously inept US murder thriller, homage-ing away to Hitchcock while going off endlessly at backstage. The second is a classic Disney classic. 90 years old, *Snow White* is still the best animated feature ever made. It is a classic, and it is the reason doubters who said that 80 minutes of rainbow-bued cartoonery was more than the human retina could bear. That is, that it all ends after 80 minutes. Enchanted landscapes, entrancing characters, comedy, tears, and a love romance. If you have a Kleenex, prepare to shed them now.

Martin Hoyle

With his full-length fur coat and music-hall attack Joe Meha's Antolycus fleetingly anticipates an even crazier gang. Elsewhere his comedy, like that of the other characters, tries too hard in a production perhaps over-eager to ingratiate itself. We lose the angora goat he rode last year and his Armenian pedlar outfit—indeed the faintly eastern touch to the peasant merry-makers has been very conveniently changed to a Cadden Tan Heilensian. The sea-berry flapping. Time is roundly enough; and Richard

aston's fustoot Camille has evidently been told to become a "character" without quite knowing how. Thundering out the news of Hermione's death, the other arm upraised in Empire-drapes (Alexander Kaid's late Regency costumes in which she plays Regency), she remains a "character" (a la *Madame de Mause*), but Gillian Borge's over-positive attack needs to be tempered, especially in the final scene where her Siddons becoming a hand gestures over-
power the unconvincingly old-fashioned, still spared the "character" of Dr. Strangelove (the chair) and they approach an unsatisfactory comic double act.

Visually the early scenes are still dominated by the vast polar ice-rug which subsequently becomes the rug in the aristocratic nursery, nightmare horror to it. Scenic elaborations include flatland rear or hump to become walls or hillocks. The peasants are in orange-umber sky more apt to Nolan's outback than the Balkans. And we have lost the beautiful assorted blues of the early scene's costumes. Gerard's act in the white production, are now over-
production, nervous that we may not get the point but things eternally moving tale of things dying and things being born through three hours with a sure swiftness.

Michael Coveney

Charles is well drawn in the
Jeremy Irons vein by Duraisami
and Linden. Meriel Schofield
recapitulates the Vivien Leigh
role as a white, enticing
country-educated girl whose
country dalliance is clearly a passing
infatuation and educative phase.
Ran John Holder as a dimpled
and Rowley and Wabel Strydom
as a pair of white, charming
paragon whose colour changes
more readily than Mrs Camdonau's
(Paula Jacobs) thinks, are significant
but unlabelled indicators
of the small black population
who are the mainstay of the
move even as the hot air balloons
and malicious comments
gathered round their
heads. In all, an entertaining
bracing occasion that boded
well for the city's
cultural pleasure dome.

Michael Coveney

The resolution is a cautiously optimistic one, rather like that in *Quest For One*. A new play has been written and read, and the audience has been reassured that there is a limbo of understanding and compromise. We have seen Sarah in New York, stalked with stomach pain while waiting for another obsessive call from a man who has been making panic attacks and jealous accusations of infidelity. Joe selfishly diddles her heart out at the San Francisco rights of the play.

Mr Kempinski is not the first to write plays as a form of self-therapy, but the honesty with which he does so is rare. He spares himself nothing and writes without a trace of sentimentality. The padding here is hung on the words of David Sedaris, and what comes out is what you expect, so comparable but somehow sadder, periodic crescendoes as *48 Charms*, *Norcross* and *Some Time*.

The halting trace of dependence and need across the

Michael Attenborough's production is slickly organised on an imposing split design by Sue Plummer that steers a fascinating middle course between seediness and peculiar opulence. Lighting and sound by David Hersey and Colin Brown complete a rather confident, unmarket treatment of misery.

Prince Edward to

narrate for the deaf
Prince Edward is to narrate *Peter and the Wolf* with the London Symphony Orchestra at the Barbican Hall on December 23 in aid of the Beethoven Fund for Deaf Children.

Antony Thornicroft

His determination to please himself rather than the packed Arena was quite wonderful. He opened promisingly, rattling through "Like a rolling stone" and "Maggie's Farm." But already the quirkiness was there: he did not encourage

any political togetherness in not working for Maggie. Then into a garbled version of "Forever Young," one of his most tender love songs, and you realise that you either have to swallow his genius whole or make carping criticisms like "he sounds like an adenoid operation"; "he is putting as much expression into this as the speaking clock"; "he is as happy playing Wembley as the Turkish soccer team are at Fatih Terim's."

Yet it hardly matters: These are his songs and they can only honestly be played by Dylan. So what if he sucks the mouth organ when he should blow and blows when he should suck before throwing it away with a half-strut? It actually is a relief that he does not try to please the audience. Enough of the feeling that lies behind songs like "Do not think twice" and "Tomorrow is a long time" came across to make this the most hypnotic gop concert of the year.

inspiration to have Tom Petty and the Heartbreakers as the backing band: they provide a bite and relaxed southern bluntness to the songs which places Dylan squarely as a rock artist, rather than a folk singer, or an inspired lyricist, or an idealistic politician. This was a totally satisfying pop concert, despite the fact that Dylan sang at his very worst and looked as if he was an escaped balaclava-wearer with a dead otter stuck

Camp mementoes

The passion to acquire a memento from Wilsford Manor, the home for most of his 80 years of the late Hon Stephen Tennant, the epitome of a Bright Young Thing of the 1930s, came to a head on Tuesday, the 15th of September. By the end of the morning session Sotheby's had raised £1,472,148 for his nieces and nephews, over double the estimate for the total sale.

The most remarkable price, £220,000, was paid for two views of the Tiber, attributed to the 17th century Italian artist - Vanvitelli. Sotheby's placed a top estimate of £85,000 on the pair but the Chaucer Gallery of London paid £220,000 for them: perhaps it believes they are in the hand of the

A rather odd buyer was the Japanese department store Seibu which secured, for £1,760, a photograph of Tennant by his friend Cecil Beaton, taken around 1927. Another Beaton portrait, with the young hero looking extremely camp in a leather jacket, doubled its estimate.

Tennant was obsessed with the idea of being a Lascar seaman—they were the subject of his unfinished novel—and a drawing of a gang of sailors doubled its forecast at £1,100. Another Tennant creation, a 1928 watercolour of three Hollywood beauties—Mae Murray, Gloria Swanson and Bebe Daniels—went quite cheaply for £792. Among Tennant's closest friends in the 1920s was Rex Whistler and the watercolour by Whistler of Stephen dressed as Shelley for a charity matinee sold for £8,580.

Arts Week

Me and My Girl (Marquis): Even if the plot turns on ironic mimicry of Pygmalion, this is no classic, with forgettable songs and dated leadenness in a stage full of characters; but it has proved to be a durable Broadway hit with its marvelous lead role for an agile, engaging and deft ac-

John Caird. Costumes, set, sound, lighting have been supervised by the respective original designer flown in from London. Toho's *Les Misérables* is a triumph. The best production of a Western musical in Japan, it differs little from the original London version. Convincing and

nal American version of the Off-Broadway musical stars Marsha Watersbury and Bert Hikes. It is produced by David Eastwood and directed by Victor Valentine. Theatre Apple, Kabuki-cho, Shinjuku, close to the town's liveliest night spots and in the heart of neon-city.

PART

Utrecht, Vredenburg: Hartmut Haenchen conducting the Netherlands Philharmonic, with Frank Peter Zimmermann, violin; Rostok

National Symphony (Concert Hall):
Tamas Varga conducting. Program:
Takácvicz (Tue); Erich Leinsdorf con-
ducting; Jorge Bolet piano, Sibelius,
Grieg, Borodin (Thur). Lincoln Cen-
ter (874 2424).

(505 1010).
Dietrich Fischer-Dieskau, baritone.
Schubert's Winterreise, D.911. Sun-
tory Hall (Thur). (505 1010).
Rotterdam Philharmonic Orchestra,
conducted by James Conlon; piano
Michie Koyama. Liszt, Mahler, To-
kyo Bunka Kaikan (Thur).
(505 9000).

piece, a bust of Stephen Tennant at the age of twenty six by Epstein, sold to the Fine Art Society for £24,200, five times the estimate. Tennant was most impressed with the bronze which he compared to a "drugged, drowned Parsifal —

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FINANCIAL TIMES

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Friday, October 16

Small step to farm reform

A CRITICAL stage in the European Community's effort to contain farm spending begins next week when the Agriculture Ministers of the 12 member states open negotiations on the new, so-called 'stabiliser' proposals drawn up by the European Commission.

Mrs Thatcher, the British Prime Minister, has made control of farm spending the central condition for decisions, due in December, on the financing of the Community as a whole. So in this respect, the future of the EC itself depends on the member governments' ability to find solutions to the agricultural problem.

Budget costs

The horrors of the common agricultural policy are by now well enough known. Of the EC's total draft budget this year of 1988, 40 per cent (€25bn, some €27bn) is destined for the farm budget, two thirds of which will have to finance the storage or export of commodity surpluses. These budget costs are increasingly unacceptable to ministers, but it should not be forgotten that the costs to the consumer are considerably larger. The CAP also has a seriously distorting effect on world trade.

The Commission's stabiliser proposals will not bring a rapid return to free market practices across the whole farm sector. For once, the bureaucrats' jargon accurately describes the concept: the proposals will, if adopted by ministers, help stabilise spending in each of the key commodity sectors. They may well not reduce it from present levels, and they will certainly not impose a cash limit on farm spending as a whole. This might suggest that the proposals would be worse than useless, but, given attitudes which prevailed only a very few years ago, they are far from negligible.

The Commission has proposed a combination of limits on production, price reductions and a tightening of the rules governing the buying and selling of surplus commodities. For some products at least, this should result in a much better balance between supply and demand, as well as a real curb on costs.

Measures for each commodity vary, but as a series of articles which have appeared on our commodity pages over the last fortnight have shown, the bud-

getary stabilisers for dairy products have so far been the most successful, while those proposed for cereals seem likely to be least effective.

The trouble is that, even if ministers accept the Commission's proposals, they will not have gone far enough down the road to reform. On the one hand, there are dangers in the stabiliser concept itself. If the Community relies too heavily on quotas, rather than price cuts, to limit production and curb costs, it will freeze farming patterns and risk creating a monster almost as distorting and inefficient as the unreformed CAP. At the least, there must be free trade in quotas, preferably across frontiers, to mitigate this.

Direct help

A recent report from the German Institute for European Policy argues that the long term objective must be to scale down support to what it calls 'market clearing price levels'. Those farmers who could not survive direct income support of various kinds, including 'environmental service' income, a concept which assumes that by looking after their land, but not necessarily producing for the market, farmers would be providing a service to the community which should be paid for like any other.

The German study sensibly argues that the level of income aid should vary according to the general income level of a country or region, but should be drawn up within a strict EC framework.

The new system would have to be phased in gradually. It would inevitably mean more farmers leaving the land. But it could help eliminate domestic surpluses, increase international competition, control costs and direct income support could be cash limited and maintain the countryside. It could provide a better framework for a less costly and more relevant CAP.

A calmer view of short-termism

"THE VIEW that it is the financial system in the UK that has caused companies to focus on the short term, rather than on investment for the longer term, is not substantiated by the evidence." Thus reports the CBI City/Industry task force in a document which contains useful suggestions as well as a number of homilies, but which ditches away from the really prickly issues.

This is not surprising. A group made up of 23 senior figures from industry and the City was never likely to come up with radical proposals, especially since it seems to have been anxious that its conclusions should be unambiguous. Moreover, the climate has changed somewhat since the year since the CBI's last conference, when industry's dissatisfaction with the perceived shortcomings of the financial sector raised an uncharacteristic degree of heat.

For one thing, the level of confidence in the manufacturing and commercial sectors has risen sharply in the last 12 months. Industrialists - especially those with maturing stock options - no longer feel like poor relations. At the same time, the financial sector is not seen as quite the risk-free gravy train it appeared in the months leading up to Big Bang. Salaries still appear enormous, but the City is having to learn to live with redundancies. The crack down on takeover abuses, which has reached such spectacular proportions this week, may well be a cause of quiet satisfaction in Sheffield or Glasgow, and the flood of giant takeover bids has at least temporarily come to an end. Pilkington's escape from BTR seems to have been a turning point in this respect.

Pension funds

The task force has examined what it describes as the pervasive mythology about short-termism in the City, and concluded that it does not stand up to close examination. This view is based partly on a survey of chief executives, who said worries about the cost of capital and likely profitability were a very much greater constraint on long-term investment than was the threat of takeover. According to the task force, the stock market efficiently reflects available infor-

mation, and fund managers are not under such extreme pressures to perform well over the short term as is commonly supposed.

However, the task force has failed to grapple seriously with the possible consequences of the rapid increase in the volume of share trading since Big Bang, and has ignored the crucial question of the tax bias which has allowed a relatively small number of investing institutions to take such a dominating position in the ownership of British companies. Up to 1984, the velocity of turnover in British shares had been running at around a steady 35 per cent. In other words, all shares were being traded once every three years on average. In recent months, this velocity has climbed to 62 per cent. Should there come a point at which gross funds should be regarded as mere share traders, and taxed accordingly? In there a case for only granting voting rights to shareholders who have been on the register for, say, three months? The report does not say, and fiscal neutrality is mentioned only as a possible subject for future study.

Common myths

Perhaps because of the way its terms of reference were framed, the task force has also ignored the pressures which might exist within industry itself for managers to pay too much attention to the short term. Examples might include the way remuneration packages are sometimes designed, placing great emphasis on year-on-year earnings growth, and the structure of corporation tax.

But it would be unkind to be too sour about the CBI's efforts. The report does serve a useful purpose in debunking some of the more common myths about the myopia of the stock exchange. It makes useful suggestions about accounting reform, especially in the area of merger accounting, and it has a helpful checklist of the questions to be asked by managers about their relations with their pension fund trustees. All this should keep things quiet until the next cyclical downturn in the relations between industry and the City.

ONE OF the annual rituals of the UK Government under Mrs Margaret Thatcher has begun this week. Half a dozen senior ministers are meeting in a Whitehall committee room to discuss how much extra should be spent next year on schools, hospitals and defence. The "Star Chamber" is in session.

Its decisions over the next fortnight will affect not only the distribution of expenditure and the margin available for tax cuts next spring, but also the political standing of those involved.

This year, the Star Chamber - a special Cabinet committee - will also see a new Chief Secretary to the Treasury, Mr John Major, seeking to confirm his reputation as one of the Cabinet's rising stars.

The process optimises the type of political bargaining which Sir Douglas Wans, a former Treasury permanent secretary, has described as "the who has the muscle gets the money". Prime Ministers have used all kinds of devices to deal with the perennial problem of reconciling the Treasury's desire to constrain expenditure with ministers' desire to spend. Some have had special committees, while others have accepted that disputes must be decided by the full Cabinet. But this puts a strain on already busy ministers and can lead to the final being pushed up through a series of splitting-the-difference compromises.

Conscious of this trend, and anyway disliking the closed Cabinet arguments of her first two years in office, Mrs Thatcher devised the Star Chamber in 1981 to deal with disputes not settled in bilateral discussions with the Treasury and to limit appeals to the full Cabinet. It has met each year since then, apart from 1985, always under the chairmanship of Lord Whitelaw, the Leader of the House and the Cabinet's prime fixer.

The procedure is that half a dozen ministers, including those without departmental responsibilities and those who have already settled with the Treasury, meet to hear the case of various spending ministers as well as that of the Chief Secretary to the Treasury.

Lord Whitelaw regards his role as that of a conciliator, ensuring that at the end, no minister feels dissatisfied and resigns (none has so far). It is the kind of behind-the-scenes politics at which Lord Whitelaw and Mr John Major, the former Chief Whip and now leader of the Commons, both excel.

A minister may, for example, feel aggrieved at his treatment by the Treasury and be reluctant to settle. Lord Whitelaw or Mr Major will ask what is his bottom line, privately consult with the Prime Minister or

the Treasury, and then go back to arrange a deal. So there is no confrontation. It does not always work like that. The first use of the Star Chamber in 1981 failed to resolve several issues which were referred to the full Cabinet in 1983 and 1984. But this has happened less often since then and the Star Chamber is now an established part of the Whitehall system.

Critics claim that the procedure works against the Cabinet taking an overall view of the relative merits of various programmes. The Commons Treasury select committee argued in late 1984 that the Star Chamber approach concentrated too much on whether a particular case should be accepted rather than on whether more should be spent by one department rather than another.

Some MPs and officials (for instance at a seminar last year organised by the Public Finance Foundation) have argued that the Star Chamber should meet regularly during the year to discuss spending priorities in a broader context, instead of the present hurried haggling over sharing the minutes.

Mr Nigel Lawson, the Chancellor, has defended the Star Chamber process on the grounds that, "in Government, there is no utilitarian calculus that permits the calculation of the respective benefits of, say, an extra military aircraft as against more disaster

relief or more equipment for the research councils."

He has argued that, "however detailed the factual basis provided by the officials and however sophisticated the analysis of output and performance for the programme concerned, in the end there has to be a political judgment and a political decision."

The process is not quite as haphazard as it may seem. While the amounts involved in the annual spending review, and the Star Chamber, are generally less than 5 per cent of total expenditure, there has been a change in the pattern of total spending, reflecting broad government priorities as well as external pressures like high unemployment.

For instance, in the recent study, New Priorities in Public Spending, Mr Malcolm Levitt notes that since the Tories came to office in 1979 there has been "above average growth in defence, public order, health, social security and employment support; there has been below average growth in education and cuts in housing and industrial support."

The combination of a change in priorities and the arrival of a more active minister in Mr Kenneth Baker has been reflected in a 7 per cent planned rise in education spending in real terms for the current financial year, after a 1 per cent average annual decline over the previous seven years.

The Star Chamber on UK public spending is sitting again. Peter Riddell reports

This time there are prizes for everyone

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Education is one of the departments in front of the Star Chamber, along with regular service chiefs (especially the admirals) have a centuries-old tradition of asking for more and of being supported by their political masters. For once, the Department of the Environment has already settled, largely because the property boom means its receipts from the sale of land and housing are helping to finance new projects, for example, in inner cities.

There have already been reports of threats to social security benefits and existing defence commitments. Yet much of this is the usual tactic whereby a department focuses on the most sensitive area of saving. Negotiations will be tough, but they will be at the margin, about the

expansion of programmes rather than their existence. Hence, after a couple of weeks' work, agreement will no doubt be reached in time for the autumn statement in the first half of November.

However, a complicating factor has been introduced this year by the ambiguous guidelines set by the Cabinet in July. The priority was to be a reduction in the share of national income taken by public spending (down from 43% to 41% per cent), while seeking to put as close as possible to the previously agreed total of £154.5bn for next year. This reflected Treasury recognition that it would not be possible to keep total expenditure within the latter figure because of the usual upward pressures from local authority and social security spending. But it apparently left

plenty of leeway because of strong growth in the economy. Spending ministers like Mr Baker have argued that there is money both for higher spending and tax cuts. The Treasury has tried to recover its position by stressing the need to get close to £154.5bn.

The snag is that its instinctive desire for restraint is in part dependent on warnings of potential crisis in the money or foreign exchange markets. But that argument is hardly persuasive this year when there will be prizes for everyone.

So the Treasury is undertaking its usual, only partially successful, role of restraining the ever-rising expenditure total. The Star Chamber's job is to ensure traditional political arts to determine how much freedom of manoeuvre Mr Lawson will have next spring.



LORD WHITELAW

A change of rhetoric and a risky change of formula

Government's record over the last eight years has been a familiar one.

The unvarnished charts in the annual White Paper show a steady rise in spending up to the latest year, the previous targets overshoot with almost monotonous regularity. For the first time, the deficit has risen into the next three years.

In parallel, and notwithstanding cuts in income tax rates, the overall tax burden has risen steadily to 34 per cent. In 1979/80, it was 32 per cent. In 1987/88, it is estimated at 37 per cent.

The rhetoric, admittedly, has changed. When Mrs Thatcher took office in 1979, she was for real cuts in public spending. Large public sector pay rises, the 1980/81 recession that a leading

in the number of people receiving unemployment benefits meant that that formula had to be abandoned in favour of a policy of holding spending "roughly constant" in real terms.

By the time of last year's Autumn Statement that strategy looked equally embarrassing. In real terms, spending in 1987/88 was forecast to be 16 per cent higher than in 1979/80.

The latest formula, described by Mr Lawson as a "major change in presentation" is for total expenditure to fall as a proportion of national income. In other words, for spending to expand less fast than the economy as a whole. The difference be-

tween the two growth rates would then be cash for tax cuts, for real cuts in public spending, or for both.

The logic of the new policy is obvious. It combines a more realistic appraisal of the past with an acceptance that as the country's wealth increases some of the extra resources should be devoted to improving public services.

At a time of strong growth in the economy it is also a policy that can be seen to work. In the run-up to this year's election Mr Lawson's "major change" was an increase in spending, lower borrowing and 2p off the basic rate of tax. With output now growing at an annual 4 per cent, few in Whitehall doubt that he will be able to manage the same in next year's Budget.

The Treasury tacitly acknowledges, however, that the present formula holds risks for the future.

The switch to setting targets based on a declining share of national income has undermined the system of cash planning that was central to the last year's spending review.

If the economy is growing more rapidly than expected, departmental ministers can claim with justification that the cash targets set previously are no longer relevant. Mr Kenneth Baker, the Secretary of State for Education, is said to have made that point with monotonous regularity in his year's speeches.

The other, perhaps more serious problem, is likely to come when the economy slows. For the last few years it has been rela-

tively easy to reconcile the almost irresistible pressures from spending ministers for more money with a reduction in public spending's share of gross domestic product. With national income rising at 3 per cent or more every year, there has been room for real increases in spending of 2 per cent.

But if the pace of economic expansion weakens to, say, 1-1/2 or 2 per cent, the Government will be faced with a need for far slower growth in spending than it has so far been able to achieve - a time when demands on public services would tend naturally to rise. There are few in Whitehall who are convinced that that could be done.

Philip Stephens

Squibb's cash for Oxford

"Well, we didn't just meet in the street," an executive of Squibb, the US pharmaceutical group, said yesterday when asked how his company came to be lavishing £20m on Oxford University for research into a better understanding of how the brain works - and misbehaves.

The story began last year when Oxford's department of pharmacology decided to try to boost its links with industry. We felt some of our research might be of value to society," Prof David Smith says.

Last December, in partnership with the Medical Research Council, he arranged a two-day seminar for industrial research directors. It drew 23 - all but two of them from overseas. They came from as far afield as the US and Japan.

Squibb is the first to respond with hard cash. What the prof had to report gave the group a fresh lead in a sphere of drug research it had dropped a decade ago for lack of new ideas.

Squibb's links with Oxford go back to 1953, when a donor carried his ideas off to the US and became head of its Institute of Medical Research at Princeton, New Jersey.

As for Smith's department, the big cash injection sets the seal on recent praise from the University Grants Committee, which ranked pharmacological research in Oxford outstanding by any world standard.

Shock treatment

The day that the earthquake hit California earlier this month, the Getty Museum at Malibu had at the printers the proofs of its latest handbook, Between Two Earthquakes: Cultural Property in Seismic Zones which aims to advise guardians of historic buildings, monuments and museums in vulnerable areas just how to cope with the half-expected.

J. Paul Getty, the oil billionaire, whose bequest has made

Men and Matters

the museum at Malibu the best in the world, with a \$100m a year, took a perverse delight in building a home for his collection of antiquities and paintings in a vulnerable site.

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More enterprise

Showing some of the very initiative it wishes to encourage, the Scottish Amicable Life Assurance Society has endowed the first chair in entrepreneurial studies at the University of Stirling.

An economist, graduate of Manchester University and a PhD from Edinburgh University, Scott has recently published works on management and industrial relations in small firms and on encouraging undergratuates to become entrepreneurs.

DEALING ROOM

"Well being a yuppie didn't last long - back to being a yaboo again."

planning import substitution and export opportunities."

Security checks

Around 300 non-US fund managers will next week be relinquishing their punishing routine of business lunches and company visits, switching off their screens, and flying to Washington for a closer look at US government policy - and a spot of relaxation to boot.

The occasion is the 7th annual US Perspectives conference, sponsored by the American Stock Exchange and three US investment banks, Merrill Lynch, Smith Barney and Donaldson Lufkin & Jenrette. The three day event has grown since its inception in 1981, in line with the phenomenal growth in foreign purchases of US stocks over the period.

The conference represents a rare opportunity for institutions to hear the latest on US views of

world affairs straight from the horse's mouth. Speakers at this year's events include US Defence Secretary Casper Weinberger and a clutch of high-ranking Congressmen.

The delegates, mainly from Europe, will immerse themselves in an informal dinner on Sunday, before immersing themselves in two days of discussions, rounded off with a rail trip to New York on Tuesday night.

But, unlike their counterparts in previous years, they will not be getting a trip to the White House. Catherine Hales, whose Rales Turner investor relations company handles European liaison for the conference, blames "mind-blowing" number of security checks, which last year kept delegates waiting nearly an hour to get in. "Everyone was getting so fed up,"

Hot pursuit

Will the world best a path to the door of the inventor of a new hot water bottle? Lucius Carey hopes so. He has just invested £25,000 in the idea of a neighbour in Henley-on-Thames, who believes he can make the traditional hot water bottle both safer and leak-free.

Like mousetraps, hot water bottles sell by the million in Britain. But for the elderly or arthritic they can be difficult, even dangerous to use.

Carey, publisher since 1978 of Venture Capital Report on new investment opportunities, has recently obtained £250,000 from Alma Patrick Associates, the venture capitalists, to help "seed" some of the schemes he reports, through a new venture called Seed Capital.

One he is keen on is an electric hot-water bottle which is sealed and never needs filling, except with electricity. The idea is simply to plug it in before bedtime.

It will store up enough heat to last through the night by melting a wax in the bottle. Carey says his inventor needs the cash to get the recipe right in experiments he is making at home in his kitchen.

Observer

GALAXY BUSINESS CLASS

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A WORLD OF DIFFERENCE

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Mr Nakasone is about to be replaced as Japan's Prime Minister. Ian Rodger asks why and evaluates the would-be successors.

Buggin's turn and turn again

WITHIN THE next few days, for no apparent reason, a new Japanese Prime Minister will be chosen. Then Mr Yasuhiro Nakasone, the present Prime Minister, whose name western people have learned to remember, whose face they have come to recognise, will resign.

These momentous events in the free world's second most important country will take place despite the fact that there has been no general election and that Mr Nakasone does not want to resign. Nor has the present regime been tainted by scandal or any demonstration of incompetence. On the contrary, the three candidates to succeed Mr Nakasone all agree that he has been a wonderful Prime Minister and they all pledge to maintain his policies.

Mr Shintaro Abe, one of the candidates, was asked not long ago why, in these circumstances, the leaders of the ruling Liberal Democratic Party (LDP) did not simply agree to allow Mr Nakasone to remain in office. His answer: Mr Nakasone had already been given a "bonus" extra year as Party President and Prime Minister, and they, the party's so-called new leaders, had been "in the waiting lounge too long."

Those comments sum up rather well the job of Prime Minister as seen by Japanese politicians. It is regarded, basically, as a reward for long years of loyal service as an LDP Diet (parliament) member and faction leader. And since there are many people who deserve rewards, it is felt that no one should hog the job for too long. Other considerations, such as leadership ability, competence and popularity, are largely irrelevant. Japanese Prime Ministers are actually not expected to do much.

In politics, as in many other jobs, the most highly valued qualification, as a rule of thumb, Prime Ministerial candidates must have served seven terms in the Diet. This takes so long to accumulate that few candidates have any outside experience or skill. Mr Abe, for example, was briefly a journalist, but has been a Diet member for 29 years. The other two candidates to succeed Mr Nakasone, Mr Noboru Takeshita and Mr Kiichi Miyazawa, entered politics in 1951 and 1952 respectively.

Also, to get an early start, family connections are almost essential: Japanese politics are probably more riddled with nepotism than those of any other democracy in the world. Mr Miyazawa is the son of a politician and is connected by marriage to two former Prime Ministers. Mr Abe is the son of a politician and is married to the daughter of the former Prime Minister, Mr Nobusuke Kishi.



MR MIYAZAWA, 68, is the only one of the three new leaders who speaks fluent English. He has a law degree from the University of Tokyo and started his career in 1941 as a Finance Ministry bureaucrat. He became assistant to the Finance Minister after the Second World War and frequently took part in negotiations with the US Occupation authorities. He entered politics in 1952 and has held a succession of increasingly senior economic and international affairs-related posts, including Minister of International Trade and Industry, Foreign Minister and Chief Cabinet Secretary. However, he has had few party jobs and has spent little time cultivating party officials.

Mr Miyazawa is probably the most liberal of the three leaders, believing strongly in the need to stimulate Japan's economy and improve the country's infrastructure. However, he has been criticised for not advancing his views forcefully enough in the past year as Finance Minister.

Such a quality parochial system was perhaps adequate when Japan was a developing country and the management of its affairs was better left to skilled technocrats. But today, when the country has growing world leadership responsibilities, it seems less than satisfactory that competent or intelligent leaders only emerge in Japan by chance. In the view of most political observers in Japan, none of the three candidates to succeed Mr Nakasone has demonstrated outstanding ability in the past. But, as has also been observed, neither had

Mr Nakasone before he became prime minister.

In the current race, the candidates do not even have any disagreements with each other. In the past, there has often been strong enmity between leadership candidates and occasional philosophical differences. However, Mr Miyazawa, Mr Takeshita and Mr Abe have all been at pains to say that their platforms are identical, that they get along well and will work together regardless of which of them becomes Prime Minister.

Thus, the battle for the party leadership, which will reach its



MR TAKESHITA, 63, has been Chief Cabinet Secretary, Minister of Construction and Finance Minister in the course of his long political career, but he is best known as a backroom party man, endlessly patient in negotiations, always trying to build consensus and avoid conflict. In the past year, he has held the party's top executive position, Secretary General, a post often regarded as the gateway to the Prime Minister's office. He became a senior lieutenant of Kakuei Tanaka, the patronage-oriented Prime Minister who was forced to resign in 1974 amid accusations about questionable property transactions. Mr Takeshita, who was the obvious successor to Mr Tanaka, nevertheless remained totally loyal to the disgraced former Prime Minister, waiting for his leader's nod. However, under growing pressure from associates, he decided in 1985 to form his own group within the faction. Despite the subsequent strain between the two, Mr Takeshita, true to form, remained patient.

peak in the next few days, will not be fought over policy or ideology or for the minds and hearts of the people. It will, instead, consist of an endless series of negotiations among the many factions within the LDP, as the candidates try to make alliances of convenience that would enable them to win the support of the majority of LDP Diet members.

In return for support, the candidates are offering various forms of patronage, such as Cabinet and parliamentary committee positions and jobs within the party hierarchy. Money

plays a big role in wooing potential supporters, and in the last few months the three have been holding big fund-raising parties around the country. On the other hand, it does not appear that business interests, which supply most of the money, have much influence on the outcome. In general, businessmen would prefer Mr Miyazawa to win but, as one political analyst said this week, they prefer to back a winner even more, so they have been putting money on Mr Takeshita and Mr Abe.

If no agreement is reached by next Tuesday, then elections



MR ABE, 63, graduated from the University of Tokyo and was briefly a journalist on the Mainichi Shinbun, a leading national newspaper, before entering politics. He married the daughter of Mr Nobusuke Kishi, who was Prime Minister from 1957 to 1960 and rose quickly in the ranks of the Kishi, then the Fukuda and now the Abe faction. He has been Minister of Agriculture, Chief Cabinet Secretary, Minister of International Trade and Industry and Foreign Minister. As Foreign Minister, he visited 39 countries, although no one recalls any particular foreign policies he espoused. However, this year, he did an effective job as the Prime Minister's personal envoy to Washington in the stormy weeks before Mr Nakasone's April visit to propose Japan's ambitious \$20bn recycling programme for developing countries. Mr Abe is considered the nice guy among the new leaders, but is often criticised for never taking a stand on anything. He is also a master of kendo, the Japanese style of swordsmanship.

will be held among the 445 LDP members in the two houses of the Diet. As no one faction has anything close to the 233 majority needed to win (the largest has 114), there could well be two rounds of voting, interspersed with still more negotiations, before a winner emerges.

There are four major factions, each having more than 80 members, two minor ones and a handful of mavericks. The possible combinations are numerous.

Going into the race, Mr Takeshita, the former finance minister and now LDP secretary

general, was a slight favourite. His faction is the largest, with 114 members, and it appeared that his attempt to form an alliance with Mr Abe, who has 88 supporters in his faction, would be successful. That prospect convinced Mr Toshio Komoto, who leads a minor faction of 31 members, to join the nascent alliance last month. For a while, it looked as if the election was sewn up.

However, the Takeshita-Abe alliance has problems. The idea behind it was that the two men, who are both 63, would take two-year turns at being Prime

Minister. The sticking point is agreeing who will go first. Mr Abe is reluctant to go second, because he doubts that Mr Takeshita would be able, two years from now, to convince his faction members to hand over the reins, and perks, of power. Mr Abe also claims that he would be better able to preserve party unity. Mr Takeshita created strong enemies within the party during his long and painful effort to distance himself and his supporters from the disgraced former Prime Minister, Mr Kakuei Tanaka. But Mr Takeshita is insisting that he, as the leader of the strongest faction, should become Prime Minister first.

In recent weeks, Mr Nakasone and Mr Miyazawa, the current finance minister, who lead the other major factions, have been trying to undo the Takeshita-Komoto alliance. Mr Nakasone's interest, now that he can no longer be Prime Minister, is to be a kingmaker.

Mr Miyazawa, who has 89 members in his faction, has been attempting to convince Mr Abe that they should form an alliance. Then Mr Nakasone could bring in his 87 votes and realise his goal of being kingmaker. At 68, Mr Miyazawa is the oldest of the three candidates, and so, it is argued, he would be more likely than Mr Takeshita to retire after two years and deliver the Prime Minister's chair to Mr Abe. However, there are problems with this scheme as well. The Nakasone and Miyazawa factions are not on the best terms, and neither is particularly unified. Analysts say Mr Abe has good reason to suspect that they would not be any more likely than Mr Takeshita to fulfill their promises after two years.

Whatever the outcome, no one expects any significant change in the thrust of Japan's main foreign and domestic policies, which are now firmly pointed towards making the country operate more in harmony with the rest of the world. And as long as these policies, such as market opening and domestic demand stimulation, are pursued vigorously, the country may avoid the kind of foreign relations crises during which an imaginative leader, like Mr Nakasone, was able to have a constructive impact on the course of events.

As for the political system itself, there seems little prospect of change in the near future. If anything, the system is getting more rigid. A few years ago, it was still possible for outsiders to get into the cabinet. For example, Mr Saburo Okita, a leading economic planner, became foreign minister in the early 1970s. But, barring an unforeseen leadership crisis, political observers doubt whether that could happen today. There are too many politicians who have spent too much time building up their seniority.

Accountancy divided

FROM Mr J. Newman
Sir - The EEC's eighth directive has to be implemented in the UK and therefore decisions have to be made as to whether the enabling law should depart from the minimum requirements of that directive. One decision of major importance is on work surrounding the status of auditors of limited companies. The Department of Trade and Industry has suggested no departure from the minimum requirement in that auditing firms may be incorporated and be owned up to 49 per cent by "outsiders" (ie individuals not possessing a practising certificate) but "independents" should be dealt with by self-regulating organisations such as the Institute of Chartered Accountants in England and Wales. Your paper carried on October 9 two pieces on this topic following a debate of the council of that institute. It quoted reaction from three managing partners of the big eight firms of chartered accountants who were for the minimum requirement, with some restrictions, whereas the council decided differently.

Your report was not the full picture. As far as the "big eight" firms are concerned, two have gone on record to oppose any of the changes to outsiders. They are Peat Marwick McLintock and Price Waterhouse and Co. Also the council's debate was by no means unanimous and it did not fully recognise that the accountancy profession has now effectively divided.

On the one hand are multi-national enterprises with extensive international links who audit and act for the great majority of companies that are listed on the Stock Exchange and on Exchanges in the EC and North America. On the other hand there are medium and smaller size firms which audit the smaller limited companies. These clients are, by and large, entrepreneur and family-run enterprises who have no intention at this stage of offering their shares to the wider public. I feel that the allowance of outside shareholders could produce for some of the small firms a welcome improvement in standards and also the provision of outside finance and better facilities for the sale and purchase of practices. All these moves would make this sector of the profession more efficient and better organised, ultimately leading to the provision of a wider range and higher standard of service and advice to individual businessmen and commercial activities in the United Kingdom. It would also be consistent with the position in most EC member states.

The concomitant of allowing incorporated firms of accountants to have "outside shareholders" up to the 49 per cent figure could be that they would

Letters to the Editor

be excluded from reporting as auditors on companies quoted on the stock exchange. With regard to the "big 8" which do not venture to suggest what restriction should be placed on their shares if they were incorporated. Perhaps this should be left to the Stock Exchange.

John A. Newman,
Chancery Wood King,
1 Old Burlington Street, W1.

Importing coal
From Mr A. Magnus.
Sir - Your leader, entitled "Price discipline in electricity" (October 9) repeats an unfortunate fallacy which bedevils the discussion on privatisation of electricity namely that substantial cost savings could be made by the electricity industry if it were "free to buy coal aggressively on the world market."

It must be understood that many UK power stations which are built inland near to sources of supply could not buy coal cheaper on a delivered basis than the price at which they presently receive it. In order for power stations near ports to benefit from lower cost imported coal in significant quantities a substantial capital investment will have to be made in those ports and the cost of that capital investment requires to be taken into account in calculating savings. Moreover the present British Coal price structure is such that the coal which would be imported for such power stations is presently being supplied to CEGB at prices aligned on world prices. You refer to the average price of £42 per tonne charged by British Coal but the coal supply arrangements (as pointed out by Maurice Samuelson in his article on September 24) "allows for at least 70m tonnes a year divided into three pricing tranches" and the lowest price tranche is that which corresponds with the cost of imported coal. Thus replacement of that tranche of coal with imported coal would produce no savings to CEGB. It would however have a severe impact on British Coal's ability to support the present size industry.

The future of electricity generation is thus inevitably linked to the future of the coal industry. So long as British Coal can supply that market at competitive prices and cover its real costs - including its cost of new capital - then there is little virtue in spending large sums on building facilities to import coal and having to write off the assets of communities depen-

dent on mining the coal replaced. Moreover since the total world trade in free coal (that is coal not used in the country of production for generation of electricity and other industrial uses) is about 350m tonnes it must also be apparent that to take even half the UK requirements - say 40m tonnes - would represent a new customer for over 10% of the available free coal. Even if production was substantially increased - and new facilities do permit this - world coal prices would not remain at the present depressed level.

The real tragedy for this country has been that the opportunity cost of capital has been ignored and far too much of our scarce capital resources has been spent relatively unproductively both on power stations and in the past on coal mines. The position can be remedied in relation to coal only if the unions and the management greatly increase productivity by flexible working and so raise the real return on capital. Unfortunately the present impasse on the over-time ban indicates that neither side is any nearer to reconciling their differences. Unless they do so the basic premise of the above argument - that British Coal can supply the market at competitive prices and cover its costs - will be upset and the UK coal industry will then have to shrink possibly by as much as 50% if the UK is to avoid continuing large subsidies to the coal industry which will have to be paid for by higher electricity prices and taxes and will make British industry less competitive in world markets.

Alan M. Magnus,
84 Holders Hill Road, NW4.

The meaning of risk
From the Director, Investments, Abbey Life.
Sir - There has been recently a suggestion from the Securities and Investments Board that unit trusts should be graded according to their risk profile. In some quarters the idea has received qualified support.

There seems to be an inherent flaw in the proposal which relates to the meaning of risk. Risk can have a number of connotations in a colloquial sense, a technical sense, an actuarial sense and so on. Most simply, one can argue that an investor of great wealth investing modestly in a general UK unit trust is affecting his total return very marginally. By contrast, a widow of limited means investing the bulk of her savings in such a

venture would be incurring great risk in a colloquial sense. Yet such a trust would presumably carry a low risk rating according to the proposal.

"Risk" is as beauty in the eye of the beholder. It is not necessarily a function of the investment medium.

Alan J. Frost,
PO Box 33,
80 Holdenhurst Road,
Bournemouth, Hants.

Selling stamps
From the Director of Marketing, Royal Mail Letters.
Sir - Selling postage stamps through shops and stores (Mr N. Evans, October 7) is a new service being tested by the Royal Mail in Bristol, Nottingham, Preston and York. The trials are among a series of initiatives by the Post Office to make stamps more widely available.

We will be learning from the trials and, given the success of the scheme, we hope to extend it to other areas of the UK. Incidentally, Mr Evans will be interested to know that the discount the Royal Mail is offering retailers matches that offered by other European postal administrations.

David J. Brech,
33 Grosvenor Place SW1.

Poorly paid Revenue
From the General Secretary, Inland Revenue Staff Federation.
Sir - May I follow Mr Denis Crowder's report of October 13?

An aspect of the argument which has received scant attention is the impact of generous private sector remuneration packages, which include valuable perks, upon the public sector.

Elsewhere in your same issue you report a CBI prediction of a UK shortfall of computer staff of 53,000 by 1991. Mr Crowder reports that at £13,000 pa a computer sector employee could expect a car. That is around the top end pay for an inspector of taxes.

Small wonder perhaps that our October IRSEF newspaper carries eight pages of jobs offering, for example, the grade immediately below an inspector (a grade on around £10,500 pa at the maximum) up to £17,000 "plus benefits".

But my immediate concern here is not the pay of Inland Revenue Staff - that is presently a matter for negotiation.

My point is the absence of any serious attention (as, if I may say so, is the case with the socio-economic implications of the over-heated south east) to the consequences for public service. Are we not to care if it (the service) is not there, or there but limited?

What is the policy? It cannot all be privatised.

Tony Christopher,
231 Vauxhall Bridge Road, SW1.

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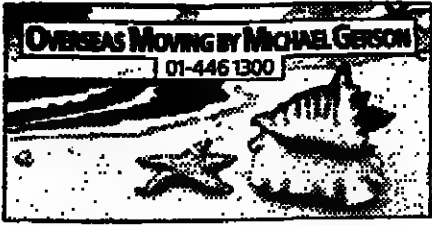
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NORTHWEST



FINANCIAL TIMES

Friday October 16 1987



Fiji Governor-General offers resignation

By Robert Mauthner in Vancouver and Robin Pauley in London

RATU SIR Penaia Ganilau, the Governor-General of Fiji, tendered his resignation to the Queen yesterday "owing to the uncertainty of the political and constitutional situation in Fiji and the Queen accepted it with regret", her press secretary announced in Vancouver.

The move was seen by officials at the Commonwealth Heads of Government Conference in Vancouver as an attempt to resolve the crisis caused by the declaration of a republic last week by Col Ratu Sitiveni Rabuka, the leader of two recent military coups in Fiji.

Most Commonwealth members with the exception of India, would like Fiji to remain a mem-

ber of the Commonwealth. However, it cannot be both a constitutional monarchy with the Queen as head of state and a republic at the same time. The departure of the Governor-General clears the way for a reapplication for membership of the Commonwealth by Fiji in which has to be approved unanimously by the other members.

Whether Col Rabuka will succeed in gaining such unanimous backing is highly doubtful. Fiji is likely to win the support of Australia, New Zealand, Britain, Nigeria and most of the African states but Mr Rajiv Gandhi, the Indian Prime Minister, has already made clear to the Confer-

ence that he is opposed to any solution of the Fiji crisis which guarantees political supremacy to the Melanesian minority of the population, and does not take into account the democratic rights of the Indians who are in a majority.

The message received by the Queen from Ratu Ganilau said: "Owing to the uncertainty of the political and constitutional situation in Fiji I have now made up my mind to request Your Majesty to relieve me of my appointment as Governor-General with immediate effect. This I do with the utmost regret, but my endeavours to preserve constitutional Government in Fiji have proved in vain and I can see no alternative way forward."

The statement issued by the Queen's Press Secretary said that in the light of the Governor-General's decision he could no longer effectively exercise executive authority in Fiji. The Queen had accepted his resignation with regret.

Her Majesty is said to think that the ending of Fiji's allegiance to the Crown should have been brought about without the people of Fiji being given an opportunity to express their opinion on the proposal.

Champions hit by sanctions fatigue

By Robert Mauthner, Diplomatic Correspondent, in Vancouver



UK Prime Minister Margaret Thatcher - not budging an inch

THE COMMONWEALTH Heads of Government meeting in Vancouver has so far been a tame affair compared with its immediate predecessors in London in 1986 and Nassau in 1985. The futuristic and spotless harbour-side trade convention centre has remained unscathed by the bloodbath over sanctions which, in the recent past, has enlivened the biennial proceedings.

Why this has been so is somewhat of a mystery. The disagreement over the effectiveness of economic sanctions against South Africa between Mrs Margaret Thatcher, the British Prime Minister, and virtually all her colleagues, remains as profound as ever.

Yet the greatest champions of sanctions, such as President Kenneth Kaunda of Zambia and Mr Robert Mugabe of Zimbabwe's Prime Minister, have become curiously resigned to the impos-

sibility of persuading Mrs Thatcher to budge an inch. The phenomenon has been described as "sanctions fatigue" by Mr Joe Clark, the Canadian External Affairs Minister, whose experience in such matters as a frequent air traveller is great.

It is not, however, that the occasion has been lacking entirely in its own interest. The talks have taken place at press briefings between a spokesman from Mrs Thatcher, and, of all people, the Canadian press, whose injured pride has been paraded for public display rather than others display their wounds.

The British source, whose self-imposed anonymity is compensated for by a blurt northern aggressiveness, has offered local opinion not only by his manner. His questioning of official Canadian figures purporting to

show the extent to which Canadian trade with South Africa had been reduced as the result of the application of sanctions has been interpreted as an attempt to undermine Canada's fundamental position on South Africa.

The Canadian press, whose scepticism about its own political leaders is matched only by its zeal in defending their foreign policies, particularly towards the developing world, has risen to the bait, like the country's famed salmon. As a result, a verbal protest was reported to have been made by Mr Clark to Sir Geoffrey Howe, his British colleague, whose influence over the proverbial British source is at best tenuous, and an official Canadian note-taker has been sent to British briefings.

A storm in a teacup? Perhaps. But international incidents are made of such stuff.

Leaders to work for more open trading

By our Diplomatic Correspondent

COMMONWEALTH LEADERS yesterday adopted a declaration on world trade strongly opposing the implementation of protectionist measures which they said would increase the risk of further exchange rate instability and would exacerbate the problem of indebtedness.

The declaration also welcomed the progress of trade negotiations in the Uruguay Round and pledged the Commonwealth to work for a balanced outcome of the negotiations with the aim of developing a more open, viable and durable multilateral trading system.

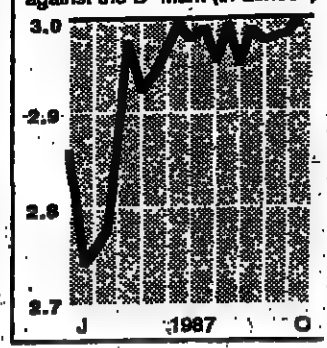
The declaration also said the Commonwealth heads of government had agreed on the crucial need for reform of all trade-distorting agricultural policies, both domestic and international. They urged early action on agriculture so as to reduce the uncertainty, imbalances and instability in world markets.

Mr Joe Clark, the Canadian External Affairs Minister, announced at the same time that Canada would convert C\$370m (US\$260m) in outstanding development assistance loans to six Commonwealth countries in sub-Saharan Africa into grants. The countries affected are Kenya, Zambia, Zimbabwe, Nigeria, Ghana and Swaziland. This followed an announcement at the summit that Canada would seek parliamentary approval to cancel C\$25m of ODA loans to selected Francophone countries.

THE LEX COLUMN

BP's partial allure

Sterling against the D-Mark (in London)



against DM3, reckoned to be the limit to which the Government is prepared to let the pound rise. At times only some quite heavy intervention has prevented it breaching that ceiling.

However, intervention is only a short-term solution. Selling the pound inflates the M3 aggregate, with consequent fears of inflation. Even if the authorities are no longer interested in M3 for targeting purposes, the gold-edged market still looks at it and expects extra funding to offset the intervention. That may lead to higher UK yields, attracting more capital inflows, adding to the upward pressure on the pound. Indeed, the fact that this kind of sterilised intervention may have no long-term effect on currency rates is a problem in the management of the dollar, as the West German central bank has discovered.

The position is not yet desperate and next week's UK trade figures might have an effect on the pound similar to that which the US figures had on the dollar. But sterling is unlikely to be depressed for long. If intervention cannot be continued for ever, the UK Government has a simple choice - cut interest rates or let the pound run. Picking the first would run counter to the authorities' concern about checking domestic inflationary pressures. By contrast, the latter policy would help to restrain UK inflation, and if the pound jumped to the DM 3.10 or even DM 3.20 when released, there could even be suggestions of further interest rate cuts. But that sort of rate for the pound is perhaps not where the UK could comfortably join the EMS.

WPP

The fact that Mr Martin Sorrell's WPP Group is still selling on a prospective 1987 multiple of over 30 times earnings whilst Seatchi & Seatchi, his former employer, is trading at a modest 18 times earnings, indicates that the City has more faith in WPP's efforts to revamp the financial performance of J. Walter Thompson than in the Seatchi's ambitions in financial services. Not that WPP has been without its problems since it took over JWT last Summer. Three of its biggest clients jumped ship within weeks of the move, and its financial costs have been rising. But it seems as if the effects of WPP's strict financial controls have more than offset the loss of client income and enabled it to take over \$60m of working capital out of the business.

Sterling

Much as the markets were upset by Wednesday's US trade figures, the number was at least temporarily relieved the UK authorities of their problem on the pound/D-Mark exchange rate. It is not likely to disappear for long. Since May sterling has been repeatedly knocking up

Eurotunnel sets date for offer

By Paul Bette in Paris

PARTNERS in Eurotunnel, the Anglo-French Channel tunnel consortium, have agreed to launch a £700m (\$1.24bn) public offering of shares on November 18.

Mr Graham Corbett, who has been running accounts for Marwick's continental European business in Paris, will become financial adviser to the consortium's two co-chairmen, Mr Alistair Morton and Mr Andre Bernard.

Mr Corbett will help set up a strong permanent financial structure for the consortium as funds from the recently syndicated £250m bank loan and next month's equity offering start to flow in.

Eurotunnel's flotation will be preceded by a capital restructuring aimed at reducing the nominal value of the company's shares to bring them more in line with UK stock market prices.

Share values have traditionally been much higher in France than in the UK. One leading financier remarked: "Anything under FF300 (\$45) does not look very serious in France and is regarded as a penny share."

Eurotunnel's share capital is made up of units, each comprising one British share and one French share. When institutional investors subscribed to a private placing last autumn, the units were issued at FF120 plus £12 each.

Institutions were told then that the public offering of Eurotunnel units would be at a 40 per cent premium to this price, valuing each unit at about FF170 plus £17.

However, the partners have agreed to reduce the nominal value by issuing 10 for every one held. The new units will therefore be priced at about FF17 plus £17 - in other words, about £3 to £4 each.

About £300m worth of stock will be sold in London. £300m worth in Paris and the remaining £150m worth on other international stock markets.

An underwriting and selling syndicate has been formed for the French offer led by Banque Indosuez, Credit Lyonnais, and Banque Nationale de Paris and including the Credit Agricole and the Caisse des Depots. Paris is increasingly optimistic over the prospects of the £300m British portion of the offer.

British Petroleum sell-off is biggest ever international issue

By Richard Tompkins in London

THE UK Government yesterday launched its £7.2bn (\$11.8 bn) offer for sale of shares in British Petroleum, the state-owned oil company. Although not the world's largest share offering, it is the biggest sale of shares yet in the growing international equity market.

Half the 2.5bn shares will be offered to the British public at the fixed price of 350p, and the rest will be offered to institutional investors in Britain and overseas at a minimum tender price set at the same level.

N.M. Rothschild, the Government's merchant bank adviser, said that levels of demand for the share offering overseas were very high and that the underwriting of the issue had been one of the smoothest for some time.

The portion sold outside the UK is likely to be worth a minimum of £2bn, topping the £2bn Fiat offering last year, and will thus be a major test of the market's distribution capabilities.

Prime Minister Margaret Thatcher's Government has predicted that small investors in the UK could hope to see a premium of anything up to 35 per cent when dealings begin.

Privatisation of state assets was a central theme in Mrs Thatcher's historic third consecutive election win last summer. So far this year, receipts from asset sales total just over £4bn.

Mr Norman Lamont, Finan-

cial Secretary to the UK Treasury, confirmed that the shares to be sold in the UK public offering would be priced at 350p, of which 120p would be paid on application and the rest in two instalments of 105p.

The fully-paid price represents a discount of 17p to BP's opening price of 367p yesterday. But the Government expects the market to value the new shares at a higher price than the existing ones because their partly-paid status enables them to be bought on interest-free credit.

Calculations by N.M. Rothschild, suggest that the theoretical extra value of this bonus is 21.5p. When added to yesterday's discount of 17p, that represents a premium of 32 per cent to the 120p initial payment.

Just under 1.2bn shares are being sold. Some 1.7bn are coming from the Government, which is selling its last remaining 31.5 per cent stake in BP, and the rest are new shares being issued by BP itself to raise cash for the company's development.

However, if the British offer is more than 1 1/2 times subscribed, the Government may have to raise the minimum application level of 80 shares has been set costing £96 initially. Mr Lamont said

the issue would be "another step on the road towards real popular capitalism."

Mr Gordon Brown, the opposition Labour Party spokesman, yesterday said he calculated the total cost of the issue on subsidies, bonuses and City of London fees would be at least £1bn and attacked the sell-off as "a disgrace."

Philip Stephens, Economics Correspondent, writes: Arrangements for the BP offer mean the Treasury will meet comfortably and, more likely, exceed, its £5bn target for privatisation proceeds in the current 1987/88 year.

For the 1988/89 financial year which begins next March, instalments due on the sales of British Gas, the British Airports Authority and BP, now guaranteed by the Treasury, are £4.5bn.

But it now seems certain that it will raise the target for one or both years when the government's Autumn Financial Statement is published next month.

A decision to leave next year's target unchanged would imply a 12-month lull in the privatisation programme which is unlikely to be politically acceptable.

At its minimum tender price the BP sale would add a net £1.1bn (after payment to BP of £1.5bn). The premium over the minimum price likely to be paid by institutional and overseas investors could add a further £200m to £300m.

Guinness adviser arrested

By Clive Wolman in London

MR ROGER SEELIG, the former Morgan Grenfell corporate finance director who was one of the City of London's most successful advisers on takeover battles, was arrested yesterday by detectives investigating the Guinness affair.

It was the fifth arrest by the fraud squad of the London Metropolitan Police in connection with the £215m (\$4.15bn) Guinness takeover bid for Distillers and the second this week.

Like Mr Gerald Ronson, the chairman of the Heron Corporation who was arrested on Tuesday, Mr Seelig was arrested after going to the fraud squad's headquarters for an appointment yesterday morning. He was still being questioned nine hours later. Charges were expected to be brought against him later in the evening.

Mr Seelig, the first former merchant banker to have been arrested in connection with the affair, he resigned from Morgan Grenfell in December 1986, just four weeks after Trade and Industry Department inspectors launched their inquiry into Guinness.

During the Guinness takeover bid for Distillers in early 1986, Mr Seelig acted as the chief adviser to Guinness at the insistence of Mr Ernest Saunders, Guinness chief executive.

He continued as an active adviser in the summer of last year during the controversy over Mr Saunders' failure to appoint Sir Thomas Risk as the new chairman of Guinness. He resigned from Morgan Grenfell after evidence came to light of a £7.5m tranche of Guinness shares which were bought by clients of the merchant bank Henry Ansbacher in the later stages of the takeover battle for Distillers.

The clients had been given assurances by Henry Ansbacher that they would be indemnified for any loss suffered as a result of their purchase. It later emerged that Guinness's own money was used to honour the indemnity.

Soviets review dissident laws

Continued from Page 1
Gorki. His presence in Moscow, where he is frequently visited by Western statesmen, has been of major benefit to the Government's reputation over the past year.

There are no precise figures for the numbers held in camps or prison but Dr Roy Medvedev, the dissident historian, said earlier this year he thought the total was between 2,000 and 2,500. Western diplomats in Moscow said they thought some 700 of these were held for political offences, most of them under articles 70 and 190 of the criminal code.

The main motives of the Soviet authorities in releasing the dissidents is a genuinely more liberal attitude to dissent and a belief that the human rights issue was inflating very serious damage to the Soviet Union's international reputation.

Belgian government crisis

Continued from Page 1

(CVP), who issued an ultimatum that the cabinet had to be taken to remove Mr Happort by yesterday.

Hopes had been raised in the past few days by rumours of a Marlene compromise which, if implemented, would have led to the eventual dismissal of Mr Happort. But despite protracted negotiations - including a meeting of senior ministers which ended at 5.30am yesterday - the deal appears to have proved unacceptable to all the four parties in the coalition (which apart from the CVP comprises the French-speaking Christian Democrats and the Flemish and French-speaking Liberals).

This time a year ago, Mr Mar-

ten's resignation prompted the four parties to patch over their differences and agree a temporary solution. The Prime Minister, however, refused to agree to a new compromise in June, which many observers felt could last until the next elections in mid-1988.

The options are for another compromise to be stitched together behind the scenes, or an early poll. "Anything is possible," a government official said last night.

The Belgian stock market fell sharply yesterday, partly on developments in Wall Street but partly on fears that a new coalition might bring back the Socialists and weaken the Government's commitment to budgetary restraint.



Wilfried Martens: tendered his resignation

World Weather

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Friday October 16 1987

AT&T carries out big computer side shake-up

BY ANATOLE KALETSKY IN NEW YORK

AMERICAN TELEPHONE & Telegraph yesterday announced a major reorganisation of its long-making computer division, in a move which clearly signals its determination to stay in the computer business and to translate the widely-recognised technological superiority of its computer products into strong financial results.

The move follows last month's announcement of two powerful new AT&T computers. One, the 6380, will be the first personal computer to take full advantage of the enhanced capabilities of the Intel 80386 microprocessor incorporated in the new generation of IBM and other machines.

The other, the 3B4000, was AT&T's biggest minicomputer to date, aimed at the \$17bn transactions processing market, which includes airline reservations and

bank teller systems.

The main effect of yesterday's organisational change will be not only to upgrade AT&T's computer business within the corporate hierarchy, but also to expand its sales force.

The huge losses sustained by the AT&T computer business - estimated by analysts at almost \$1bn last year - have generally been attributed to poor marketing, rather than manufacturing problems or product design.

AT&T's personal and minicomputers have generally been highly-regarded within the industry, particularly because of the superior capabilities of the company's Unix operating system, in comparison with the MS-DOS system used by IBM.

But unlike Digital Equipment, another technologically-driven computer manufacturer which has man-

aged to overtake IBM in several important markets, AT&T has failed to get its message across to customers.

One reason identified by many Wall Street analysts was the absence of a sales force specifically dedicated to marketing computers.

AT&T is now putting both computer manufacturing and sales under the direct control of Mr Vittorio Cassoni, a rapidly-rising executive who was recruited last year from Olivetti of Italy. His mission is to revamp the AT&T's computer activities.

Mr Cassoni, whose data systems division was formerly part of AT&T's business markets group and shared its sales force with other business products, will now head a newly-formed data systems group, reporting directly to Mr Randall Tobias, AT&T's vice-chairman.

Coca-Cola raises earnings by 16%

By Our New York Staff

COCA-COLA, the leading US soft drinks company, increased its net income by 16 per cent to \$271m or 71 cents a share in the third quarter from \$232m or 60 cents a year earlier.

The company's operating revenues fell by 2 per cent to \$2,487m, largely because of the continuing programme of asset disposals and stockmarket spinoffs which has become a hallmark in recent years.

The latest such sale has been the public offering of 51 per cent of TCC Beverages, the main Canadian bottler of Coca-Cola.

Volumes in the core soft drinks division have continued to grow steadily, with a 5 per cent gain in the US and a 3 per cent improvement

International operating income increased "significantly faster" than volume because of margin improvements and currency translation benefits.

The company's profits in the third quarter included a pre-tax capital gain of \$40m related to the TCC flotation. However, this one-time benefit was largely offset by a \$16m pre-tax charge related to cutbacks in Coca-Cola's food division, where demand has been weakening for the company's most important product, Minute Maid orange juice.

Coca-Cola's entertainment business sector, which includes the Columbia Pictures film and television studios, suffered a decline in operating earnings.

This business is to be combined with Tri-Star Pictures, which is currently a 37 per cent-owned affiliate of Coca-Cola, and then floated on the stockmarket within the next few months.

Strong demand at Bowater Inc lifts profits

By Our Financial Staff

BOWATER INC, the largest US newspaper manufacturer, boosted third-quarter net profits from \$11.6m, or 36 cents a share, to \$23m, or 70 cents, with strong demand, better production and higher prices benefiting every leading product line.

The company, which is also a big producer of coated papers, kraft market pulp, and computer business forms, has had a good year, raising its dividend by 11 per cent in January.

Third-quarter sales rose from \$237.3m to \$303.9m, and the nine-month profit figure was \$51.6m, or \$1.35 a share, against \$35.5m or \$1.07.

Mr Anthony Gemmle, chairman and chief executive, said that a glut in lightweight coated paper anticipated by some did not occur, and in contrast the upturn, predicted by the company, was quite sharp.

Apple beats earnings expectations

By Our San Francisco Correspondent

APPLE COMPUTER, the US personal computer manufacturer, has reported stronger than expected earnings and sales for the fourth quarter.

Sales rose 34 per cent to \$706.4m while earnings were well above analysts' predictions at \$71.7m or 54 cents a share, an increase of 116 per cent on the \$32.8m or 25 cents registered in the same period last year.

For the full year, Apple's sales rose by 40 per cent to \$2,710m from \$1,930m in fiscal 1986. Net earnings for fiscal 1987 were \$217m or \$1.65 a share - a 41 per cent advance on the \$154m or \$1.20 (adjusted for a two-for-one stock split) recorded in fiscal 1986.

The company said orders remained firm in Europe, which has been a particularly strong market in recent months, while accelerating in the US.

US DRUGS GROUP BRINGS GLIMMER TO WALL STREET

Merck lifts earnings by 37%

BY JAMES SUGHAN IN NEW YORK

MERCK, the large US pharmaceuticals group that is Wall Street's wonder stock, yesterday reported an un-spectacular 37.3 per cent increase in net earnings for the third quarter to \$271.5m. Per-share earnings were up 48.3 per cent at \$1.74.

The results, which show an acceleration of profits growth at the New Jersey company, brought a glimmer to yesterday's market, with Merck stock climbing \$3.44 to \$105 in early trading.

Merck, the most highly-valued stock relative to earnings in the Dow Jones Industrial Average, had fallen more than \$7 in Wednesday's market collapse.

Sales in the September quarter grew at a more sedate 24 per cent to \$1.18bn. But much of the growth is coming from new drugs, such as Merck's Vasotec hypertension treatment, which carry generous profit margins and foreign earnings

are being boosted by translation in a weaker dollar.

Mr Roy Vagelos, chairman, said: "Income growth and improved earnings margins resulted from strong unit volume gains, a better product mix, a lower effective tax rate, the continuation of cost controls and productivity improvements, as well as the favourable effect of exchange."

Merck profits grew 26 per cent in the first quarter over the 1986 March quarter, and 36 per cent in the second quarter. Earnings for the nine months were \$674m or \$4.93 a share against \$503.9m or \$3.56. Sales were \$3,671m as against \$2,860m.

Uplinks, a more diversified drug company, yesterday reported a 23 per cent climb in earnings in the third quarter to \$75m or 40 cents a

share. Sales grew 25 per cent to \$603m.

After nine months, Upjohn has reported earnings of \$234m or \$1.26 a share as against \$169m or \$0.91 a share. Sales were \$1,900m against \$1,700m.

A third drug company reporting yesterday, Warner-Lambert, said it enjoyed net income of \$75.2m or \$1.06 a share, an improvement of 11.8 per cent over the \$67.2m or \$1.01 cents of the 1986 September quarter. Sales advanced 14.7 per cent to \$897.1m.

Warner-Lambert, which also operates a large confectionery business, earned \$220.5m or \$3.30 a share as against \$203m or \$3.03 a share - including \$44 cents special gain - in the first nine months. Revenues were \$2,580m as against \$2,260m.

At JN 1.81, record third-quarter

results of \$150m or \$1.02 a share were reported, compared with \$135.5m or 96 cents.

The result came despite generic competition for US sales of its oral antibiotic Eclavir.

Increased sales and favourable exchange rates helped boost worldwide drug sales, the company said. The oral antibiotic Cefaclor, the human insulin Humulin, and the cardiovascular drug Daburax performed especially well internationally. Nine-month profits rose from \$433.9m or \$3.02 a share to \$505.5m or \$3.43.

Pfizer also lifted third-quarter profits, from \$170.5m or \$1.04 a share to \$185.5m or \$1.10. It warned, however, that its target of 10 to 15 per cent net income growth in 1987 may not be achieved because of heavy investment in research and development, and marketing.

At JN 1.81, record third-quarter

Borg-Warner sells finance arm

BY OUR NEW YORK STAFF

BORG-WARNER, the diversified Chicago-based motor components engineering company which was taken private last summer in a \$4.2bn leveraged buyout, has sold its commercial finance business to Transamerica for \$182.5m.

For Transamerica, which was at one time a widely-diversified financial conglomerate based in San Francisco, the purchase is the latest step in a long-term restructuring designed to take the company out of its many "non-core" businesses and focus all its activities in insurance

and consumer and commercial finance.

BWAC, the company Transamerica is buying from Borg-Warner, includes the Borg-Warner Acceptance Corporation and several other inventory and business financing subsidiaries. BWAC's total assets at the end of June were \$4.1bn and its after-tax profits in 1986 were \$70.9m.

The acquisition will therefore add nearly a quarter to Transamerica's total size.

At the end of June Transamerica's total assets were \$17.3bn, de-

ployed mostly in insurance, transport equipment leasing and consumer finance. Its after-tax earnings in the first nine months of 1987 were \$354.8m.

For Borg-Warner, which sought refuge in private ownership after an aggressive takeover bid from Mr Samuel Heyman's GAF Corporation, the sale of BWAC is likely to be followed by further significant asset disposals. The leveraged buyout, which was led by Merrill Lynch Capital Partners, increased Borg-Warner's debt to around \$4bn.

Continental Illinois 46% ahead

By Our New York Staff

CONTINENTAL ILLINOIS, the big Chicago bank which has been operating under federal government supervision since its near-collapse three years ago, reported a 46 per cent jump in net income to \$90.1m or 34 cents a share, compared with \$61.1m or 23 cents in the third-quarter of 1986.

The bank's total assets at the end of last month were \$31.5bn, compared with \$28.5bn a year earlier.

Continental said that sharp declines in investment portfolio gains and interest collections from Brazil and Ecuador were more than offset by gains from venture capital interests and lower loan loss provisions.

It transferred \$203m of poor quality loans to the Federal Deposit Insurance Corporation during the quarter, bringing to \$1.5bn the total loans assumed by the FDIC as a result of the 1984 rescue. Continental Illinois' right to transfer such loans expired on September 28, 1987.

9 Marine Midland Bank, the New York-based affiliate of Hong Kong and Shanghai Banking Corporation, achieved a 39 per cent improvement in net profits, to \$49.3m or \$2.47 a share, in the third-quarter, on total assets of \$25.1bn, compared with \$35.4m or \$1.75 on assets of \$23.5bn a year ago.

The higher profits partly reflected a 22 per cent gain in the bank's average loan outstanding, partly offset by a tightening of interest margins.

There was also strong growth in non-interest earnings from fee-based services.

Semiconductor sector lifts Motorola

By Louise Kehoe in San Francisco

MOTOROLA, the US electronics manufacturer, reported a strong rise in sales and earnings boosted by sharply higher profits in the semiconductor sector.

Earnings rose to \$70m, or 54 cents a share, from \$31m or 24 cents in the third-quarter of last year.

Revenues increased from \$1.4bn to \$1.7bn. For the nine-month period, earnings were \$206m or \$1.60 a share, up from \$131m or \$1.04 in the same period a year ago. Sales increased to \$4.9bn from \$4.3bn.

The company said semiconductor sales rose by 23 per cent in the third-quarter with sharply higher profits and record demand for microprocessors - the chips used to build personal computers and computer workstations.

Sales increased throughout the company's communications, automotive electronics, government electronics and information products operations.

However, Motorola said profits were down in the government electronics division and that the computer group operated at a loss during the quarter.

Philip Morris posts sharp improvement

BY OUR NEW YORK STAFF

PHILIP MORRIS, the large US tobacco, food and brewing group, has reported a strong advance in third-quarter earnings, despite a heavy charge to earnings for the reorganisation of its General Foods subsidiary.

Philip Morris, which is based in New York City, reported a 21.3 per cent increase in third-quarter earnings to \$502m or \$2.11 a share. Sales increased 4.9 per cent to \$6,970m.

However, earnings in the third-quarter were reduced by \$22m or 9 cents a share as a result of a \$111m pre-tax charge against earnings for the restructuring of General Foods.

The food group, which Philip Morris acquired in a mammoth \$6.8bn diversification in late 1985, has long been regarded as flabbily-managed in comparison to its parent.

The charge was partly offset by a once-and-for-all pre-tax gain of \$46m from the sale of a barbecue sauce business.

In the first three quarters of the year, Philip Morris reported earnings of \$1,450m or \$5.73 a share, an increase of 22.4 per cent on the \$1,180m or \$4.63m the first three quarters of 1986. Sales were \$20,530m as against \$18,510m.

HCA net income rises to \$66.5m in quarter

BY OUR NEW YORK STAFF

HOSPITAL CORPORATION OF America, the large US health care group which recently sold 104 low-profit hospitals to its employees, has increased its third-quarter net income to \$66.5m or 80 cents a share from \$53.8m or 65 cents in the corresponding 1986 quarter.

But the results are so distorted by the \$1.6bn hospital sale and by charges to account for HCA's wrenching adjustment to its difficult market, that comparison between the two quarters is impossible. Sales revenues, which include the contribution of the divested hospitals up to August, were \$1,180m, against \$1,240m.

The group puts nine-month net income at \$206m or \$2.52 a share against \$218.7m or \$2.57 previously on revenues of \$3.8bn against \$3.7bn.

HCA, which as industry leader has been badly hit by price controls on the US Government's Medicare programme and cost-cutting by insurers, said the third-quarter figures included a \$154m after-tax gain on a hospital sale; a \$73m pre-tax charge to recognise uncollect-

able bills; and a \$126m pre-tax write-down of investments and properties.

In addition, HCA is continuing to bear heavy costs from its attempt to write its own health insurance, now a joint venture with the Equitable Life insurance group and known as Equicor.

HCA's share in Equicor's third-quarter loss was \$12.5m but the company said it remains committed to the business.

Mr Thomas Frist, HCA chairman, said the results do not fully reflect the benefits of HCA's significant restructuring programme.

The hospital sale will permit HCA to buy back about \$600m of its own stock under a tender offer which closes on October 22 and to pay back some \$850m in debt, he said.

If all the transactions had occurred before the beginning of the year, he said HCA would have earned \$70m or 80 cents a share in the first nine months of this year after charges. Revenues would have been \$2,670m.

Digital's results disappoint market

BY OUR NEW YORK STAFF

DIGITAL EQUIPMENT, the successful US computer company which has become one of the highest-flying stocks on Wall Street, last night reported disappointing results which seem to confirm a gradual flattening in its spectacular growth-curve.

Digital made net profits of \$270m, or \$2.03 a share, in the three months ended September 26, the first quarter of its financial year.

Although these profits were 48 per cent above the \$182.8m reported a year ago, they could prove inade-

quate to match the market's over-enthusiastic projections.

The median projection for Digital's earnings in the September quarter was \$2.10 a share, according to a recent survey of 17 analysts conducted by Institutional Brokers estimate system, a service of Wall Street broker Lynch Jones and Ryan.

Digital's results were also well below the \$377m earnings it reported in the three months to June. When those results were announced last July, they set off a wave of selling in spite of being 50

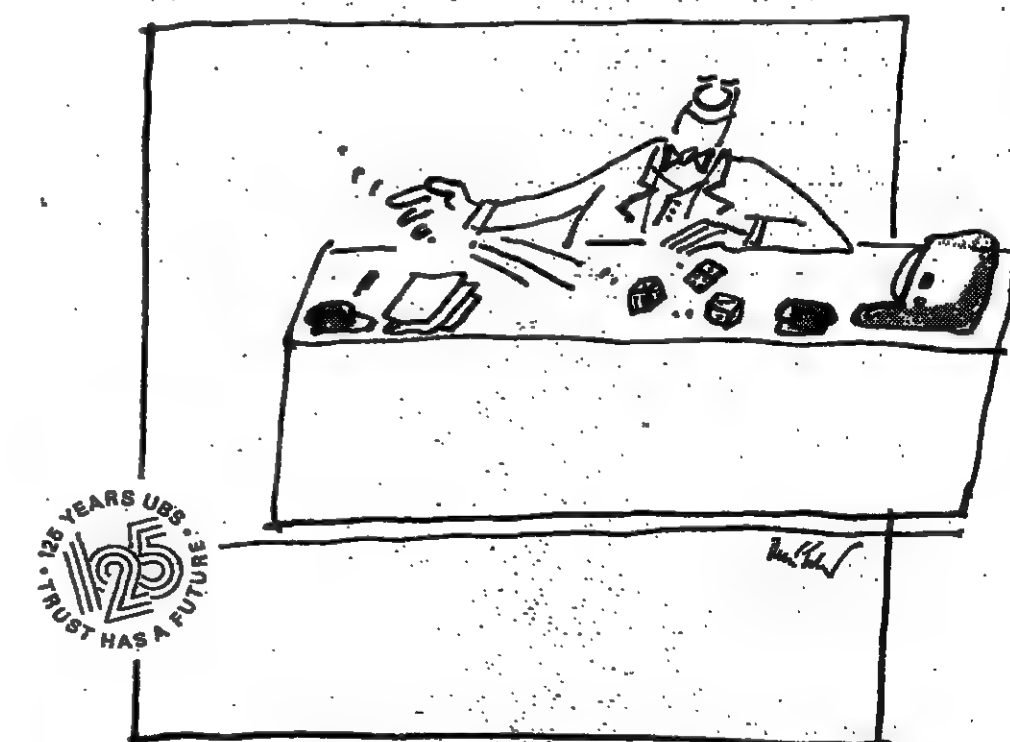
per cent up on the previous year.

However, abstracting from the inflated expectations, Digital's latest results present a generally positive picture.

The company's revenues, at \$2,520m, were 25 per cent up on the quarter a year earlier and only 10 per cent down on the June quarter, which is traditionally the strongest of the year.

The company said orders remained firm in Europe, which has been a particularly strong market in recent months, while accelerating in the US.

Luck can come in many forms. Lead managers who do not support issues generally refer to it as "bad".



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OIL. Wherever it is, we'll find it. Oil is the primary source of energy. It is the power that moves the world and will be so for many years to come.

But, it is necessary to be prepared to wrestle this treasure from the earth's most secret strongholds, using the latest continuously evolving technology, and to venture into hostile, inaccessible places.

Agip, Italy's national oil company, took up this challenge sixty years ago, probing into the origins of the earth, experimenting with new techniques, and devoting to these activities human and economic resources that are always up to the difficulties to be overcome.

Wherever the possibilities of finding oil exist, Agip is present with its spirit of initiative and decades of experience. The results achieved, alone or in cooperation with leading oil companies, in 30 countries, on 5 continents, make Agip a reliable operator in any oil activity.

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INTERNATIONAL COMPANIES & FINANCE

Dutch Government in talks over fresh Fokker financing

BY LAURA RAUIN IN AMSTERDAM

THE DUTCH GOVERNMENT confirmed yesterday it is holding urgent talks with Fokker and its creditor banks to arrange fresh financing for the ailing aerospace company.

A large statement released by the Economics Ministry said: "All the parties are prepared in the very short term to determine a position with respect to the improvement of Fokker's solvency and liquidity."

Both Mr Rudolf de Korte, the Economics Minister, and Mr E. Onno Ruding, the Finance Minister, met representatives of Fokker, as well as Algemeene Bank Nederland and Amsterdam-Rotterdam Bank, on Wednesday to "solve the problems of further financing of development and production costs

of the Fokker 50 and Fokker 100.

Yesterday's announcement was the first time the centre-right Government has officially acknowledged being in negotiations with the Schiphol-based company.

Earlier this week, Fokker disclosed that it was seeking continued financial support from the banks and Government, while imposing drastic austerity measures, including employee layoffs.

The news was greeted yesterday with some relief on the Amsterdam Stock Exchange, where Fokker's share price rebounded by a modest 5 per cent to Ft 45, after plunging by 25 per cent the day before on reports of a cash-flow crisis.

Bergesen suffers modest setback

BY KAREN FOSSEL IN OSLO

OPERATING income at Bergesen DY, Norway's leading bulk shipowner, has declined during the first eight months of this year to Nkr1.1bn (\$160m) from Nkr1.3bn in the same period last year due mainly to a lower US dollar exchange rate.

Profit before extraordinary items for the group fell fivefold, to Nkr16m in the first eight months, compared with Nkr515m in the same period last year.

Bergesen says that last year's profit, however, included a Nkr31m profit from the sale of securities while the similar figure at the end of August was just Nkr11m. In September, Bergesen earned Nkr16m from securities sales.

Shipping profits also fell, to Nkr908m from Nkr1bn in the first eight months. Taking depreciation into account, operating profit from shipping

reached only Nkr130m.

Bergesen says the decline in shipping profits was due to large fluctuations in the freight markets, "particularly for oil tankers."

The group forecasts that its annual profit for 1987 will be lower than in 1986, when it reached Nkr639m before extraordinary items. Development in this short term, it says, will be uncertain because of the political situation in the Gulf.

In July, Bergesen established an American Depository Receipt (ADR), for which Morgan Guaranty Trust, the US bank, acted as the depository. The ADR facility covers both the group's A and B shares.

Bergesen plans a listing on the London Stock Exchange by next summer.

Boliden near deal with Allis Chalmers

By Sara Webb in Stockholm

BOLIDEN, the Swedish mining, metals and chemicals group, said yesterday that it is close to completing an agreement to buy part of Allis Chalmers, the US manufacturing group, for about SKr600m (\$90m).

Boliden said legal obstacles had been cleared and that the acquisition would go through in mid-November.

Allis Chalmers is selling 19 units which manufacture and sell equipment for mineral dressing and treatment. These include Svedala-Arriba and its subsidiary Sala International in Sweden, and units in Australia, Brazil, Canada, the US, France and the UK.

The 19 units had sales of SKr1.25bn and profits of about SKr150m last year, and employ 4,200.

Boliden aims to develop new products for the mining industry and build up its mining division at home and abroad through the acquisition.

The deal should also provide new openings for Boliden's mining and smelting consultancy business as well as for Trelleborg, the Swedish rubber products group, which makes rubber components for mining equipment.

Trelleborg has a controlling stake in Boliden and is now bidding about SKr3.5bn for the outstanding shares in the company.

But the French group said yesterday that first-half performance could not be compared with the year-before period because of special factors.

In the first six months of last year, Bouygues' acquisition of

Scieg, the French road construction and civil engineering company, was not consolidated in the group's results.

In the first half of this year, the consolidation of Scieg represented a loss of FF48m. However, Bouygues said yesterday this reflected seasonal factors in road construction.

It added that for the entire year, Scieg should contribute more than FF100m to consolidated results.

Bouygues expects to report group earnings for the year similar to last year's income of FF481m. Group sales are expected to total about FF500m this year.

Bouygues also announced this week a joint venture with IBM France to associate the two companies in the construction of so-called "intelligent buildings," ready-equipped with integrated telecommunications and computer networks.

Yesterday's agreement is aimed at strengthening Feldmuehle's position in the European newspaper and cardboard sector.

Beghin-Say seems to be winding down its position on the market.

The agreement will become binding only when Feldmuehle has carried out, in the next two months, further inspection of the Corbehem plant.

Yesterday's agreement is aimed at strengthening Feldmuehle's position in the European newspaper and cardboard sector.

Beghin-Say seems to be winding down its position on the market.

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Two businessmen take 5% stake in Banesto

BY TOM BURNS IN MADRID

IN A KEY development in Spanish banking, Mr Mario Conde and Mr Juan Abello, who earlier this year sold Antibioticos to Italy's Montedison group in the biggest foreign takeover of a Spanish company, have bought close to 5 per cent of the equity of Banco Espanol de Credito (Banesto) and will be appointed members of the board at the end of the month.

Mr Conde, a 39-year-old self-made millionaire who has come to represent a new entrepreneurial spirit in Spain, is also to become deputy chairman of Banesto, when Mr Jose Maria Lopez de Letona, the present deputy chairman and managing director, replaces Mr Pablo Garcia as chairman in December.

Announcing both the acquisition of Banesto shares by Mr Conde and Mr Abello and their appointment to the board when it meets on October 28, Mr Lopez de Letona said yesterday that their presence in the bank was "necessary and convenient" and that his negotiations with them had been "extremely cordial."

The deal should also provide new openings for Boliden's mining and smelting consultancy business as well as for Trelleborg, the Swedish rubber products group, which makes rubber components for mining equipment.

Trelleborg has a controlling stake in Boliden and is now bidding about SKr3.5bn for the outstanding shares in the company.

But the French group said yesterday that first-half performance could not be compared with the year-before period because of special factors.

In the first six months of last year, Bouygues' acquisition of

Scieg, the French road construction and civil engineering company, was not consolidated in the group's results.

In the first half of this year, the consolidation of Scieg represented a loss of FF48m. However, Bouygues said yesterday this reflected seasonal factors in road construction.

It added that for the entire year, Scieg should contribute more than FF100m to consolidated results.

Bouygues expects to report group earnings for the year similar to last year's income of FF481m. Group sales are expected to total about FF500m this year.

Bouygues also announced this week a joint venture with IBM France to associate the two companies in the construction of so-called "intelligent buildings," ready-equipped with integrated telecommunications and computer networks.

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Bouygues in first-half reverse

BY PAUL BETTS IN PARIS

BOUYGUES, the world's largest construction group, yesterday reported lower first-half consolidated net group earnings, excluding minority interests, of FF79m (\$13m), compared with FF145m in the first six months of last year.

But the French group said yesterday that first-half performance could not be compared with the year-before period because of special factors.

In the first six months of last year, Bouygues' acquisition of

Scieg, the French road construction and civil engineering company, was not consolidated in the group's results.

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It added that for the entire year, Scieg should contribute more than FF100m to consolidated results.

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NOTICE TO HOLDERS OF NOTES WITH WARRANTS OF

MARUZEN COMPANY, LIMITED

U.S.\$30,000,000 3.50 per cent.
Guaranteed Notes due 1991
with Warrants

unconditionally and irrevocably guaranteed by
THE DAI-ICHI KANGYO BANK, LIMITED
AND

U.S.\$20,000,000 8.375 per cent.
Guaranteed Notes due 1990 with Warrants

unconditionally and irrevocably guaranteed by
THE MITSUI BANK, LIMITED

Maruzen Company, Limited (the "Company") has determined to change its fiscal year-end from 31st July to 31st March subject to the approval of its general shareholders' meeting to be held on 30th October, 1987. As a transitional measure, the Company will have an eight-month fiscal period running from 1st August, 1987 until 31st March, 1988 and thereafter its fiscal year will run from 1st April until 31st March of the following year.

Accordingly, the record dates for the payment by the Company of annual cash dividends and interim dividends will be 31st March and 30th September, respectively, in each year.

Despite the change in the fiscal year, the Terms and Conditions of the Warrants shall remain as before to the effect that with respect to any annual cash dividend or interim dividend (being a cash distribution pursuant to Article 293-5 of the Commercial Code of Japan) payable on the shares issued upon exercise of Warrants, such exercise should be deemed to have taken effect at the beginning of the dividend accrual period to which it occurs and such dividend accrual period will (hereinafter be the eight-month period running from 1st August, 1987 to 31st March, 1988 or, thereafter, each six-month period ending on 31st March or 30th September in each year.

The interest payment dates in respect of the Notes due 1981 and 1990 remain unchanged as 8th May and 4th March, respectively.

MARUZEN COMPANY, LIMITED

Kamatachi
Dated: 18th October, 1987 President and Representative Director

Korea Electric Power Corporation

U.S.\$50,000,000

Floating Rate Notes due 1993

In accordance with the provisions of the above Notes, notice is hereby given that for the 6-month interest period from 15th October 1987 to 15th April 1988, (183 days), the notes will carry an interest rate of 9 1/8% per annum.

The interest payable on the next interest payment date, 15th April 1988, will be US\$11,755.21 per US\$250,000 nominal amount and US\$470.21 per US\$10,000 nominal amount.

Agent Bank:

Lloyds
Merchant
Bank

TO THE HOLDERS OF

EBC AMRO TRADED
CURRENCY FUND LIMITEDINCOME SHARES IN CONTINENTAL
DEPOSITARY RECEIPT FORM

The Directors of the above fund have declared the following interim dividend per share for the financial period ended 30th September, 1987, payable on 30th October, 1987 in respect of shares in issue on 30th September, 1987:—

US Dollars 0.2097 per share against coupon No. 7.

Shareholders should send their coupons to Amsterdam Depositary Company N.V., Spuistraat 172, 1012 VT, Amsterdam.

EBC Trust Company (Jersey) Limited
Secretary

Dated: 12th October, 1987.

This memorandum appears as a matter of record only.

BIL

BRIERLEY INVESTMENTS OVERSEAS N.V.

(Incorporated with limited liability in the Netherlands Antilles)

£100,000,000

Guaranteed Notes due 1989

Unconditionally Guaranteed by
Brierley Investments LimitedArranged and underwritten by
Samuel Montagu & Co. Limited

September, 1987

Chief executive of Asea Brown Boveri named

By Our Zurich Correspondent

MR PERCY BARNEVIE is to become president and chief executive officer of Asea Brown Boveri, with effect from January 4.

The new company, to be formed on that date with provisional headquarters in Zurich, will be owned jointly by the Swedish and Swiss engineering groups Asea and BBC Brown Boveri.

Mr Barnevik, 46, has been president and chief executive officer of Asea since 1982.

Dr Thomas Gasser, 54, will become deputy chief executive officer of the new company. He was appointed chief executive officer of BBC Brown Boveri earlier this year.

Return to black for Air France

By Our Paris Staff

AIR FRANCE, the French national carrier, yesterday reported first-half consolidated net group earnings, excluding minority interests, of FF236.6m (\$37m), compared with a FF190.1m loss in the same period last year.

Asia
Pacific
Growth
FundWeekly net asset
value on 9/10/87
US \$38.79Listed on the
Amsterdam
Stock ExchangeInformation:
Person, Holding & Pension N.V.
Herengracht 214,
1016 BS Amsterdam.
Tel. +31-20-211188.To the Holders of
EMHART CORPORATION

This announcement appears as a matter of record only

REPUBLIQUE FRANÇAISE

FF 1500 000 000

12 YEARS FIXED TO FLOATING
(TMB* - 10 b.p.)

INTEREST EXCHANGE AGREEMENT

ARRANGED BY :

CRÉDIT LYONNAIS
INVESTMENT BANKING DIVISION



CREDIT LYONNAIS

*Annualized average 13-week treasury bill rate

INTL. COMPANIES & FINANCE

Seoul is not yet ready for foreign investors, writes Maggie Ford

Lid kept on Samsung convertible

TO CONVERT or not to convert? South Korean economic officials have been debating for months as the date for the conversion of the country's first bond on the Eurobond market came closer and closer.

The bond, issued by Samsung Electronics, should be convertible into shares in the company on the Seoul stock exchange on Monday. This is the day that foreign investors, enchanted by the profits to be tapped by investing in South Korean equities, have been waiting. Unfortunately they may have to wait a bit longer.

The way devised to get around the deadline without actually opening the market to foreigners is simple. First, foreign investors will be allowed to convert their bonds into Samsung shares. They will be able to sell the shares and repatriate the profits. But they will not be able to buy any other shares in the market.

That prospect alone is unattractive. The Samsung bond is currently trading at a premium of 190 per cent, such is the shortage of Korean paper available abroad. Analysts believe that most investors will prefer to trade the bond itself and indeed to hold on to it for longer term investment.

But there is an additional catch. Scrutiny of the prospectus shows that S. G. Warburg, the underwriter, must be able to say that the Seoul Government has at least partially opened the stock market to foreign investment before they can recommend conversion. Under present circumstances a recommendation seems most unlikely.

Officials have cogitated all year to devise a method of having it both ways, so as to delay market opening while not offending the international financial community. For although the market has boomed this year, officials believe it remains immature, with too few investors.

The booming economy, which is causing severe problems for those trying to manage the inflow of foreign funds from trade surpluses, has become an even stronger argument against allowing any additional inflows for the moment.

"We hope that foreign investors will understand the position," said Mr Lee Sun Hak, finance director of the Samsung group. The money supply problem was already severe, he said, curtailing Samsung's own hopes of raising more money internationally. The Finance Ministry now appears to feel that the end of next year, after the September Olympic games, will provide a more realistic target for an opening to foreigners. Additional smaller opportunities for foreign investors may arise over the next year.

Following the startling success of the GoldStar Eurobond, issued in August and now trading at a premium of 250 per cent, perhaps two more bonds may be allowed this year. Both Hyundai Engineering and Construction, flagship of the Hyundai group, and Kia Motors, in which Ford has a stake, are continuing to lobby for the opportunity to launch bonds.

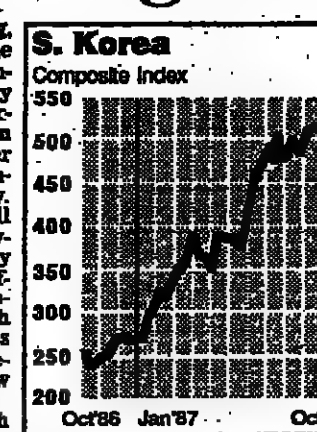
In addition, an extra tranche of perhaps \$30m may be allowed early next year for the Korea Eurofund, which opened

in London early this year. The stock market is expected to continue its rise for the rest of the year, buoyed by the presidential election expected in December and the possible lifting of restrictions on investment imposed earlier this year to cool it down.

After the composite index advanced through the 500 mark early this month, blue chip shares have maintained growth, especially following a scare last month over rumours of government involvement in the market. Opposition leaders said that a Government-associated think tank had been speculating in the stock market, causing a rush to sell and a loss of 15 points in a day.

Although the Seoul market is highly speculative, especially in construction and financial shares, the steady improvement of prices in blue chip shares since then suggests that investors may be taking a longer-term view, reflecting the underlying growth in the economy.

While further booms and busts can probably be expected, especially in advance of the election, analysts believe that this year's rise in the index is likely to prove up to foreign investors' expectations. Time, and the policies of whichever party wins power, will tell whether their wait has been worth it.



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Cable and Wireless near Hong Kong deal

BY DAVID DODWELL IN HONG KONG

CABLE AND WIRELESS, the UK communications group, signalled yesterday that it was close to an agreement with the Hong Kong Government that will open the way to a major reorganisation of its interests in the British territory.

An announcement is expected today detailing the creation of a new holding company, which will comprise Cable and Wireless (Hong Kong) and Hongkong Telephone. The new company will have a market capitalisation of more than HK\$72bn (US\$9.2bn), making it by far the biggest in Hong Kong.

Cable and Wireless (HK) has a monopoly franchise to handle all international telecommunications traffic passing through Hong Kong, while Hongkong Telephone has the franchise to handle local voice telephones. The two operate separately, but are controlled by Cable and Wireless in the UK, and together contribute about three quarters of the parent company's annual profits.

The reorganisation is likely to involve the phased disposal of its holdings in the new holding company. The colonial administration acquired this stake in 1981 for just under HK\$900m when Cable and Wireless was privatised by the UK Government. Hong Kong officials have noted several times in the recent past that it was not appropriate to hold such a substantial equity investment as part of its reserves.

Cable and wireless is also expected to announce plans to reduce its stake, so that about 25 per cent of shares in the new holding company will be in public hands. The UK group owns an 80 per cent stake in Cable and Wireless (HK), with the Hong Kong Government holding the remaining 20 per cent. Reorganisation would have been impossible without agreement from the local administration to exchange this holding for shares in the new holding company.

Cable and Wireless also owns about 60 per cent of Hongkong Telephone, with the remainder in public hands. Trading in the shares of Hongkong Telephone was suspended yesterday at HK\$19.30 a share, pending an announcement on the terms under which minority shareholders will have their shares exchanged for shares in the new holding company.

The first phase of reorganisation will involve Cable and Wireless retaining a stake of about 30 per cent in the new holding company, with the Government receiving just over 10 per cent in exchange for its holding in Cable and Wireless (HK). Minority shareholders in Hongkong Telephone will receive shares amounting to just under 10 per cent of the enlarged group.

Sime Darby drops bid for Guthrie Ropel

BY WONG SULONG IN KUALA LUMPUR

SIME DARBY, the Malaysian conglomerate, is dropping its bid for Guthrie Ropel, the listed plantation company. Three weeks after it announced the takeover offer.

In a one paragraph statement to the stock exchange, Sime said it was "unable to reach agreement on the conditions and terms for its general offer." Its offer had valued Ropel, which has 67,000 acres of estates, at about 250m ringgit (US\$100m) to be satisfied through an exchange of shares.

The dropping of the bid represents an embarrassing setback for Sime. The market was not surprised as the deal makes little commercial sense to the Guthrie group, which is itself a leading plantation organisation.

Sime had said the takeover would have created one of the biggest plantation groups in the world, and there would be considerable benefits in terms of advanced technical expertise, and access to integrated processing and marketing.

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These securities have been sold outside the United States of America and Japan. This announcement appears as a matter of record only.

NEW ISSUE

15th October, 1987.



KAO CORPORATION

U.S.\$100,000,000

3 1/2 per cent. Bonds 1992

with

Warrants

to subscribe for shares of common stock of Kao Corporation

Issue Price 100 per cent.

Nomura International Limited

Algemene Bank Nederland N.V.

Banque Paribas Capital Markets Limited

Chase Investment Bank

Credit Suisse First Boston Limited

DKB International Limited

Robert Fleming & Co. Limited

Generale Bank

Kleinwort Benson Limited

Morgan Stanley International

Orion Royal Bank Limited

Société Générale

Swiss Bank Corporation International Limited

Westdeutsche Landesbank Girozentrale

Bank of Tokyo Capital Markets Group

BNP Capital Markets Limited

Citicorp Investment Bank Limited

Daiwa Europe Limited

Dresdner Bank Aktiengesellschaft

Fuji International Finance Limited

Goldman Sachs International Corp.

Merrill Lynch Capital Markets

The Nikko Securities Co., (Europe) Ltd.

Salomon Brothers International Limited

Sumitomo Finance International

S.G. Warburg Securities

Yamaichi International (Europe) Limited

CertainTeed Canada, Inc.

a wholly-owned subsidiary of

CertainTeed Corporation

has acquired

Bay Mills Limited

The undersigned acted as financial advisor to CertainTeed Corporation in this transaction.

LAZARD FRÈRES & Co.

October 13, 1987

Farm Credit Corporation Can.\$100,000,000: 9% Notes due 30th September 1991

(Herein referred to as the "Securities").

To: The holders of the Securities

In accordance with the terms and conditions attaching to the Securities, holders of the Securities are hereby given notice that as from October 30th 1987, The Bank of Nova Scotia, Brussels Branch, 66 Boulevard de l'Impératrice, B-1000, Brussels, Belgium will no longer act as Paying Agent in respect of the Securities.

As from October 30th 1987

Kredietbank N.V., 7 Arenbergstraat, B-1000, Brussels, Belgium, will act as Paying Agent in respect of the Securities.

The Bank of Nova Scotia



Issue of up to £250,000,000 Floating Rate Notes 2000



(Incorporated in England under the Building Societies Act 1874)
of which £150,000,000 is being issued as the Initial Tranche
Issue Price of the Initial Tranche: 100 per cent.

In accordance with the provisions of the Notes, notice is hereby given that for the Interest Period from October 15, 1987 to January 15, 1988, the Notes will carry an Interest Rate of 10 1/4% per annum. The interest payable on the relevant interest payment date, January 15, 1988 against Coupon No. 8 will be £259,22.

By The Chase Manhattan Bank, N.A.
London, Agent Bank

October 16, 1987



INTERNATIONAL CAPITAL MARKETS & COMPANIES

Foreign investors face a ticklish pricing decision

BY ALEXANDER NICOLL

ALTHOUGH BRITISH Petroleum's £2bn share offering is not the world's largest, it is the biggest sale of shares yet in the growing international equity market.

The portion sold outside the UK is likely to be worth a minimum of £2bn, topping the £2bn flat offering last year, and will test the market's distribution capabilities.

The issue is marked out from others not only by size. It has an unusual structure, and could therefore prove a difficult story to tell to foreign investors. Substantial efforts have already been made. Before yesterday's formal launch of the deal, the company had been conducting roadshows all over the world for two weeks in an effort to build demand.

Although the sale is being billed and handled essentially as an initial offering of shares as in previous UK privatisations, it is not nearly 70 per cent of BP is already in the private sector. As such, it is a large secondary offering for a UK company, since UK shareholding institutions would object to the dilution which would normally be caused by such a large issue.

Another unusual feature is that the new shares are being offered through a still experimental structure under which institutional buyers are likely to pay a higher price than the 330p which was fixed yesterday as the level at which the shares will be sold to the UK general public - a 3.7 per cent discount to the 330p market price at the time.

This dual pricing is a compromise between the desire to get the broadest possible interest from the UK small investor - setting a discount to the market

price - and reluctance to sell state assets cheaply to the foreign investor seeking a quick turn.

In the tender offering, institutions will put in bids at whatever level they wish, and the unified price they pay will be determined on the basis of demand and bid levels. The hope among the issue managers is that the tender price will actually be above the price of existing shares.

This is because of the incentive which has been built into the offering in order to make it attractive to buy shares which are already available to investors. N.M. Rothschild, the lead

BP SHARE SALE

bank, has structured the deal as partly-paid. Though investors will put up 210p of the issue price in 100p instalments in August 1988 and April 1989, they will from the start get the benefit of the full dividend - equivalent to a 12 per cent yield.

BP is a classic example of a multinational company seeking to broaden its shareholder base: although 80 per cent of its business is outside the UK, only 7 per cent of its equity is.

As currently structured, Goldman Sachs is leading the underwriting of 400m shares in the US, Daiwa Securities 100m in Japan, Wood Gundy 100m in Canada, and Swiss Bank Corporation 100m in Continental Europe - the latter through the "targeted structure" with separate lead managers responsible for each country.

However, it seems likely that clawback provisions will operate. This means that the institutional offering, which also includes 250m shares in the UK - will be scaled back by a maxi-

mum of 25 per cent. Assuming the same proportions of UK and non-UK shares, maximum clawback would put the foreign sale at some 630m shares.

Scaling down of allotments to different regions might not be in exact proportion - it would depend on the levels of demand identified in different parts of the world.

Banks leading the issue report that a good level of institutional interest appears to have been generated abroad. The issue, they argue, will give fund managers the chance to increase or build up a weighting in a strong, well-managed multinational.

Some analysts believe, however, that there is only limited interest in BP among foreign institutions, which may take the view that despite the recent fall in the share price BP remains overvalued by comparison with other oil companies such as Shell and Exxon.

Mr Ian Watts of BZW Equities calculates that the tender price is 10p above the current market price of 320p. This is based on his calculation that the partly-paid aspect plus the all transaction costs associated with buying the new shares are worth a premium of just over 30p.

According to his assessment of foreign investor interest, however, Mr Watts says: "I'd be surprised if the tender price was anything like as high as 370p."

Between now and October 30, when applications close, foreign investors will have to make delicate judgments of the price levels they should bid. These could be considerably complicated if there are further sharp movements in stock markets and BP's share price.

Heron withdraws sterling bond

By Clare Pearson

HERON INTERNATIONAL, the parent of Heron Corporation, the UK's second largest private company, has decided to withdraw its recently issued £25m Eurosterling bond from the market following the arrest this week of its chairman, Mr Gerald Rensen.

Heron said in a press statement yesterday: "Notwithstanding Chase Investment Bank's (the lead manager) willingness to proceed with the issue, the board felt it inappropriate to do so at this time."

Mr Rensen was re-arrested on \$200,000 bail on Wednesday, having been charged with eight offences connected with his involvement in the takeover of 15 months ago of Distillers by Guinness, its fellow UK drinks manufacturer.

The 11 per cent 5 1/2-year bond issue, launched by Heron International Finance, had been due to close on October 18, a month after its original announcement.

It is extremely rare for a borrower to decide to withdraw a bond from the market after it has been launched and Heron's decision is especially striking as the proceeds had been tapped into floating rate dollars.

Dealers said yesterday that the issue did not appear to have come under any selling pressure this week. But an executive at Chase, which was Heron's main underwriter, said the issue had been launched on an indicated price basis only since Mr Rensen's arrest on Tuesday.

The bond had been mainly sold to banks on an asset swap basis (wrapped into floating rate funds), and also to retail investors in Switzerland who are familiar with Heron since the company has issued several Swiss franc bonds in the past.

Dutch money controls tightened

By Laura Fien in Amsterdam

THE NETHERLANDS' central bank plans to strengthen its control over the money and capital markets, probably through a cash ratio and government bond portfolio, in an important policy move that signals its concern over incipient inflation.

The Dutch central bank is also seeking more control over money supply growth the country's capital markets deregulation two years ago has blurred some existing policy instruments.

A further reason for tighter control is to ensure sufficient support for the guilder against the D-Mark.

The central bank and commercial banks are currently negotiating a gentlemen's agreement on new policy instruments, to take effect by the end of this year.

The cash reserve rule would require commercial banks to hold a certain amount of funds at the central bank against a market-related interest rate to absorb expected changes in the money market. A cash reserve requirement has officially been in force since 1954 but with no interest paid and has fallen into disuse because of money market shortages.

The government bond portfolio would be held by the central bank as a pool from which to buy and sell bonds as a way of adjusting and controlling liquidity. This would be an open market instrument, similar to the US Federal Reserve's purchases and sales of treasury notes.

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Fears grow of higher US interest rates

Dollar falls send prices tumbling

BY OUR EUROMARKETS STAFF

YESTERDAY'S SHARP falls in the dollar and the US Treasury bond market sent Eurobond prices across most sectors tumbling and left prices of Wednesday's crop of new issues deep under water.

In early trading, Eurodollar prices gave up over a point as fears grew that US interest rates would have to be raised further to defend the dollar, while bond markets in other currencies took fright at the pressure this would exert on their own domestic interest rates.

The markets later bounced after the US Federal Reserve said it had added reserves through overnight system repurchases, taken as a sign it was not tightening monetary policy. But dealers remained unconvinced the rally would last.

During the afternoon, the two-year bonds for Turans Devisen Bank and Merrill Lynch launched on Wednesday bid at less 1 1/2 and less 2 respectively, against 1 1/2 per cent fees - levels described by one dealer as "horrible" for such short-dated instruments.

Meanwhile, even a C\$100m five-year bond for Nippon Telegraph and Telephone, regarded as far the best of Wednes-

day's crop, was bid as low as less 2 1/2, while a £50m 5 1/2-year bond for Finnish Export Credits traded at around less 2 1/2. Both had 1 1/2 per cent fees.

The bonds had been launched on Wednesday afternoon in the wake of the release of disappointing US trade figures, showing a \$15.6bn deficit in August, after which the lead managers had hoped the markets would recover.

The Eurosterling bond market suffered sharp price falls as dealers became increasingly concerned that the sterling market's long period of realigning to the weakness of US securities markets was drawing to a close.

Falls in Eurosterling bond prices in some cases outpaced those in the gilt market. Seasoned five-year Eurosterling bonds lost about 1 point, compared with losses of about 1/2 point on government bonds of similar maturities.

The Euro-French franc market came under pressure from the rise in the D-Mark against the French franc, which caused the French franc to fall in the Paris, financial futures market.

bet, government bond futures went limit down. Prices of seven-year seasoned Euro-French franc bonds shed about one point during the day.

New Japan Securities led a \$30m five-year par-priced equity warrants bond for Matsuyama, a Japanese electrical

wholesaler, with an indicated 3 1/2 per cent coupon.

In the D-Mark market, domestic bonds gave up around 1.80 points, bringing the average yield on public bonds to 6.75 per cent, up 17 basis points on the day and the highest level since October 1985. At the fixing, the recent 6 1/2 per cent Federal bond was set at 96.85, 1.35 percentage points lower than on Wednesday. The fall in prices was attributed to New York's weakness rather than to the continuing controversy about the Government's plans for withholding tax.

The market was not helped by a remark from Mr Karl-Otto Poehl, the Bundesbank president, who said the Bundesbank could not escape the rise in

world interest rates.

Meanwhile, prices of D-Mark 10-year Eurobonds fell by one point, having recouped some of their losses in late trading.

Deutsche Bank announced a DM200m 7 per cent seven-year bond for African Development Bank, priced at par. Dealers quoted the bond at prices around its total fees.

Union Bank of Switzerland led a SFr50m seven-year equity warrants bond for Premier Consolidated Oilfields Finance, the finance subsidiary of the UK oil exploration company. The seven-year 4 1/2 per cent par-priced bond carries warrants to buy shares at 83p, an 8.5 per cent premium over the close.

In Switzerland, the longer end of the foreign bond market was again badly hit, with price drops of about half a point on average, as investors continued to unload longer-dated paper. Fuji Bank's SFr200m convertible public issue opened its first day's trading at 93 1/2, well below the par issue price, but recovered two points by the close.

Japan Tobacco's SFr150m 5 per cent issue, which began trading on Tuesday, rose 1/4 point to close at 98, but was still below its 100 1/4 issue price.

Salomon Asia escapes the axe

BY STEFAN WAGSTYL IN TOKYO

SALOMON BROTHERS, the US investment broker, excluded no part of its worldwide operations from the sale of its Tokyo subsidiary, which this week resulted in the announcement of 800 redundancies among its 6,500-strong workforce.

But while the axe will fall in New York and in London, Salomon Brothers Asia, based in Tokyo, will escape unscathed.

Mr Deryck Maughan, one of Salomon's two managing directors in Tokyo, said yesterday that the Tokyo subsidiary had been the most profitable foreign securities company last year and would report increased profits in the 1987-88 year which finished at the end of September.

According to figures presented to the Japanese Ministry of Finance, Salomon Brothers made pre-tax profits of ¥58m (\$35.2m) last year, compared with ¥11.5m made by the second most profitable company, Jardine Fleming.

Some executives at rival securities houses say that Salomon's profits are due almost entirely to its successful operation in trading Japanese government bonds.

Mr Maughan, a former high-flier at the UK Treasury, conceded that bond trading made a substantial contribution to profits.

But he stressed yesterday that Salomon Brothers Asia was building a broadly-based operation, with only 10 per cent of its staff in government bond trading. The company also traded equities and other instruments and had a corporate finance department, he said.

Salomon has been expanding in Tokyo at the same break-neck speed as several other large US and European securities companies. In January 1988 it had 80 employees; now it has 300.

Salomon has had its share of difficulties in coming to terms with the pace of the liberalisation of the Tokyo markets, which foreign companies find frustratingly slow. A year ago, it failed to make the list of six foreign companies which were granted seats on the Tokyo Stock Exchange. It hopes to be

among the 20 or so companies which will be admitted next year.

It is the largest foreign company in the government bond market. But its share of primary offerings by the Ministry of Finance in the 10-year instrument which are the most important chunk of the market is a fraction of 1 per cent.

Mr Maughan said that with capital of \$400m Salomon Brothers Asia, covering other Asian and Pacific markets as well as Japan, was now self-financing.

He wants the company to retain the stamp of Salomon Brothers. The company would continue to employ Japanese and non-Japanese staff and to train Japanese graduates at the head office in New York.

He argued that there was no point trying to compete with Nomura Securities, the largest Japanese company, by becoming a small Japanese company. Mr Maughan said that by retaining its American element Salomon Brothers kept its competitive advantage.

Buyers line up for Rover's Ashok stake

By John Elliot in New Delhi

THREE Indian business families have emerged as the front-runners to buy Ashok Leyland, India's second largest bus and truck maker and an allied company called Emore Foundries, from the Rover Group of the UK for about £25m (\$40m).

They include the Hinduja family in partnership with Fiat Iveco of Italy, and Mr Manu Chhabria, both of whom are classified as non-resident Indians. The Hindujas are a large trading family based in the UK, who are looking for a prestige investment to launch themselves into Indian manufacturing.

Mr Chhabria, based in Dubai, has taken over several Indian companies recently.

The third is Mr Rahul Bajaj who runs Bajaj Auto of Pune near Bombay, the world's second largest scooter manufacturer. His offer is being financed by investors organised by Merrill Lynch, which is underwriting his bid.

Turkish capital market reorganised

THE TURKISH Central Bank will establish a new general directorate to organise and monitor domestic money markets, in line with the country's economic liberalisation policy, Reuters reports from Ankara.

The Money Markets and Fund

Administration, bringing under one umbrella the monitoring of assets ranging from Turkish lira to foreign currencies, bonds and money market instruments, is to be set up later this month, according to central bank officials.

The group will have six divisions, dealing with foreign exchange operations, securities trading, money market operations, fund management and interbank Turkish lira markets.

FT. INTERNATIONAL BOND SERVICE

Listed are the latest international bonds for which there is an adequate secondary market.												
Closing prices on October 15												
US DOLLAR					YEN STRAIGHTS							
ISIN	Yield	Price	Change	Yield	ISIN	Yield	Price	Change	Yield			
100 1989	100	100	0.00	100 1989	100	100	100	0.00	100 1989	100	100	0.00
100 1990	100	100	0.00	100 1990	100	100	100	0.00	100 1990	100	100	0.00
100 1991	100	100	0.00	100 1991	100	100	100	0.00	100 1991	100	100	0.00
100 1992	100	100	0.00	100 1992	100	100	100	0.00	100 1992	100	100	0.00
100 1993	100	100	0.00	100 1993	100	100	100	0.00	100 1993	100	100	0.00
100 1994	100	100	0.00	100 1994	100	100	100	0.00	100 1994	100	100	0.00
100 1995	100	100	0.00	100 1995	100	100	100	0.00	100 1995	100	100	0.00
100 1996	100	100	0.00	100 1996	100	100	100	0.00	100 1996	100	100	0.00
100 1997	100	100	0.00	100 1997	100	100	100	0.00	100 1997	100	100	0.00
100 1998	100	100	0.00	100 1998	100	100	100	0.00	100 1998	100	100	0.00
100 1999	100	100	0.00	100 1999	100	100	100	0.00	100 1999	100	100	0.00
100 2000	100	100	0.00	100 2000	100	100	100	0.00	100 2000	100	100	0.00
100 2001	100	100	0.00	100 2001	100	100	100	0.00	100 2001	100	100	0.00
100 2002	100	100	0.00	100 2002	100	100	100	0.00	100 2002	100	100	0.00
100 2003	100	100	0.00	100 2003	100	100	100	0.00	100 2003	100	100	0.00
100 2004	100	100	0.00	100 2004	100	100	100	0.00	100 2004	100	100	0.00
100 2005	100	100	0.00	100 2005	100	100	100	0.00	100 2005	100	100	0.00
100 2006	100	100	0.00	100 2006	100	100	100	0.00	100 2006	100	100	0.00
100 2007	100	100	0.00	100 2007	100	100	100	0.00	100 2007	100	100	0.00
100 2008	100	100	0.00	100 2008	100	100	100	0.00	100 2008	100	100	0.00
100 2009	100	100	0.00	100 2009	100	100	100	0.00	100 2009	100	100	0.00
100 2010	100	100	0.00	100 2010	100	100	100	0.00	100 2010	100	100	0.00
100 2011	100	100	0.00	100 2011	100	100	100	0.00	100 2011	100	100	0.00
100 2012	100	100	0.00	100 2012	100	100	100	0.00	100 2012	100	100	0.00
100 2013	100	100	0.00	100 2013	100	100	100	0.00	100 2013	100	100	0.00
100 2014	100	100	0.00	100 2014	100	100	100	0.00	100 2014	100	100	0.00
100 2015	100	100	0.00	100 2015	100	100	100	0.00	100 2015	100	100	0.00
100 2016	100	100	0.00	100 2016	100	100	100	0.00	100 2016	100	100	0.00
100 2017	100	100	0.00	100 2017	100	100	100	0.00	100 2017	100	100	0.00
100 2018	100	100	0.00	100 2018	100	100	100	0.00	100 2018	100	100	0.00
100 2019	100	100	0.00	100 2019	100	100	100	0.00	100 2019	100	100	0.00
100 2020	100	100	0.00	100 2020	100	100	100	0.00	100 2020	100	100	0.00
100 2021	100	100	0.00	100 2021	100	100	100	0.00	100 2021	100	100	0.00
100 2022	100	100	0.00	100 2022	100	100	100	0.00	100 2022	100	100	0.00
100 2023	100	100	0.00	100 2023	100	100	100	0.00	100 2023	100	100	0.00
100 2024	100	100	0.00	100 2024	100	100	100	0.00	100 2024	100	100	0.00
100 2025	100	100	0.00	100 2025	100	100	100	0.00	100 2025	100	100	0.00
100 2026	100	100	0.00	100 2026	100	100	100	0.00	100 2026	100	100	0.00
100 2027	100	100	0.00	100 2027	100	100	100	0.00	100 2027	100	100	0.00
100 2028	100	100	0.00	100 2028	100	100	100	0.00	100 2028	100	100	0.00
100 2029	100	100	0.00	100 2029	100	100	100	0.00	100 2029	100	100	0.00
100 2030	100	100	0.00	100 2030	100	100	100	0.00	100 2030	100	100	0.00
100 2031	100	100	0.00	100 2031	100	100	100	0.00	100 2031	100	100	0.00
100 2032	100	100	0.00	100 2032	100	100	100	0.00	100 2032	100	100	0.00
100 2033	100	100	0.00	100 2033	100	100	100	0.00	100 2033	100	100	0.00
100 2034	100	100	0.00	100 2034	100	100	100	0.00	100 2034	100	100	0.00
100 2035	100	100	0.00	100 2035	100	100	100	0.00	100 2035	100	100	0.00
100 2036	100	100	0.00	100 2036	100	100	100	0.00	100 2036	100	100	0.00
100 2037	100	100	0.00	100 2037	100	100	100	0.00	100 2037	100	100	0.00
100 2038	100	100	0.00	100 2038	100	100	100	0.00	100 2038	100	100	0.00
100 2039	100	100	0.00	100 2039	100	100	100	0.00	100 2039	100	100	0.00
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100 2041	100	100	0.00	100 2041	100	100	100	0.00	100 2041	100	100	0.00
100 2042	100	100	0.00	100 2042	100	100	100	0.00	100 2042	100	100	0.00
100 2043	100	100	0.00	100 2043	100	100	100	0.00	100 2043	100	100	0.00
100 2044	100	100	0.00	100 2044	100	100	100	0.00	100 2044	100	100	0.00
100 2045	100	100	0.00	100 2045	100	100	100	0.00	100 2045	100	100	0.00
100 2046	100	100	0.00	100 2046	100	100	100	0.00	100 2046	100	100	0.00
100 2047	100	100	0.00	100 2047	100	100	100	0.00	100 2047	100	100	0.00
100 2048	100	100	0.00	100 2048	100	100	100	0.00	100 2048	100	100	0.00
100 2049	100	100	0.00	100 2049	100	100	100	0.00	100 2049	100	100	0.00
100 2050	100	100	0.00	100 2050	100	100	100	0.00	100 2050	100	100	0.00
100 2051	100	100	0.00	100 2051	100	100	100	0.00	100 2051	100	100	0.00
100 2052	100	100	0.00	100 2052	100	100	100	0.00	100 2052	100	100	0.00
100 2053	100	100	0.00	100 2053	100	100	100	0.00	100 2053	100	100	0.00
100 2054	100	100	0.00	100 2054	100	100	100	0.00	100 2054	100	100	0.00
100 2055	100	100	0.00	100 2055	100	100	100	0.00	100 2055	100	100	0.00
100 2056	100	100	0.00	100 2056	100	100	100	0.00	100 2056	100	100	0.00
100 2057	100	100	0.00	100 2057	100	100	100	0.00	100 2057	100	100	0.00
100 2058	100	100	0.00	100 2058	100	100	100	0.00	100 2058	100	100	0.00
100 2059	100	100	0.00	100 2059	100	100	100	0.00	100 2059	100	100	0.00
100 2060	100	100	0.00	100 2060	100	100	100	0.00	100 2060	100	100	0.00
100 2061	100	100	0.00	100 2061	100	100	100	0.00	100 2061	100	100	0.00
100 2062	100	100	0.00	100 2062	100	100	100	0.00	100 2062	100	100	0.00
100 2063	100	100	0.00	100 2063	100	100	100	0.00	100 2063	100	100	0.00
100 2064	100	100	0.00	100 2064	100	100	100	0.00	100 2064	100	100	0.00
100 2065	100	100	0.00	100 2065	100	100	100	0.00	100 2065	100	100	0.00
100 2066	100	100	0.00	100 2066	100	100	100	0.00	100 2066	100	100	0.00
100 2067	100	100	0.00	100 2067	100	100	100	0.00	100 2067	100	100	0.00
100 2068	100	100	0.00	100 2068	100	100	100	0.00	100 2068	100	100	0.00
100 2069	100	100	0.00	100 2069	100	100	100	0.00	100 2069	100	100	0.00
100 2070	100	100	0.00	100 2070	100	100	100	0.00	100 2070	100	100	0.00
100 2071	100	100	0.00	100 2071	100	100	100	0.00	100 2071	100	100	0.00
100 2072	100	100	0.00	100 2072	100	100	100	0.00	100 2072	100	100	0.00
100 2073	100	100	0.00	100 2073	100	100	100	0.00	100 2073	100	100	0.00
100 2074	100	100	0.00	100 2074	100	100	100	0.00	100 2074	100	100	0.00
100 2075	100	100	0.00	100 2075	100	100	100	0.00	100 2075	100	100	0.00
100 2076	100	100	0.00	100 2076	100	100	100	0.00	100 2076	100	100	0.00
100 2077	100	100	0.00	100 2077	100	100	100	0.00	100 2077	100	100	0.00
100 2078	100	100	0.00	100 2078	100	100	100	0.00	100 2078	100	100	0.00
100 2079	100	100	0.00	100 2079	100	100	100	0.00	100 2079	100	100	0.00
100 2080	100	100	0.00	100 2080	100	100	100	0.00	100 2080	100	100	0.00
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100 2083	100	100	0.00	100 2083	100	100	100	0.00	100 2083	100	100	0.00
100 2084	100	100	0.00	100 2084	100	100	100	0.00	100 2084	100	100	0.00
100 2085	100	100	0.00	100 2085	100	100	100	0.00	100 2085	100	100	0.00
100 2086												

Leadership in M&A

United Kingdom

Smiths Industries plc

has acquired

Lear Siegler
Avionics Systems

from

Lear Siegler
Holdings Corp.

*The undersigned advised Smiths Industries plc
in relation to the acquisition in the U.S.A.*

WPP Group plc

has acquired

JWT Group, Inc.

*The undersigned acted as financial advisors to
WPP Group plc and as a lead underwriter of
a placing of £213 million of new WPP equity.*

Beecham Group p.l.c.

has sold

DAP Inc.

to

USG Corporation

*The undersigned acted as financial advisors to
Beecham Group p.l.c.*

Dairy Farm International
Holdings Limited

has acquired a 25% interest in

Kwik Save
Group P.L.C.

*The undersigned acted as financial advisors to
Dairy Farm International Holdings Limited.*

The First Boston Corporation

Credit Suisse First Boston Limited

UK COMPANY NEWS

ABF says Berisford lacks logic

BY CLAY HARRIS

Associated British Foods yesterday levelled a strong attack on the financial structure, management and profit record of S&W Berisford, sugar producer and commodity trader, for which it has launched a cash bid worth £270m.

The offer document published yesterday by the bread, biscuits and tea group broached no new arguments to those rehearsed when the bid was launched a fortnight ago. ABF made clear, however, that Berisford's activities - apart from British Sugar, the UK's leading refiner - faced a detailed review which could lead to disposals.

ABF said: "There can be no claim to industrial or financial logic in this collection of activities."

Berisford, it argued, was failing to invest sufficiently in - and was even extracting funds from - British Sugar. "Cash flow, disposal proceeds and additional borrowings have been diverted into a complex chain of property trading ventures, share and bond dealing and other activities."

Mr Garry Weston, ABF chairman, added separately about the bid: "It's all about long-term versus short-term investment policy, technology rather than opportunistic trading skills."

ABF intends to contrast its manufacturing expertise with Berisford management's background of short-term speculative trading. Treating board changes at Berisford with scepticism, Mr Weston said it was

still "very much a company in Mr (Ephraim) Margulies' image and his creation."

ABF also attacked Berisford's erratic earnings record and said it was "one of the most highly geared companies operating a major food business."

Mr Harry Bailey, finance director, said: "They are very resourceful for borrowing money both on balance sheet and off balance sheet, but you can't go on borrowing forever."

He added, "British Sugar is going to need a lot of capital investment. There is a great deal of efficient sugar industry on the continent in Germany, France and Holland and there's a great deal of surplus capacity which would be ready and able to come into this market if

there's not an improved level of efficiency."

Mr Henry Lewis, deputy chairman, defended Berisford yesterday as a "sensibly balanced group" and said ABF's criticisms betrayed a lack of understanding. "One of the skills of Berisford has been in the use of money," he said, contrasting its performance with the £12m cash pile at ABF.

British Sugar, he said, was investing record amounts in its UK production - £28m in the last financial year and £48m in the current one.

Berisford shares added 4p to 422p yesterday, compared with ABF's 400p cash offer. ABF already owns 23.7 per cent of Berisford, which it bought from the Italian Ferruzzi group, a previous bidder, in May.

Boddington suitor withdraws bid plans

BY MIKE SMITH

Midsummer Leisure, the public house, discotheques and snooker group, yesterday withdrew plans to bid for Boddington Group in the face of opposition from two of the brewer's largest shareholders.

It said it regretted that Boddington had not been prepared to discuss its proposals for an integrated group and added that withdrawing the proposal was in the best interests of Midsummer shareholders.

Midsummer is to keep its 2 per cent stake in Boddington and said it could not rule out the possibility of a bid in the future.

Shares in Boddington finished the day at 218p, 22p down on their opening price but well up on the 187p of Monday before the plan for a bid was revealed.

Boddington rejected Midsummer's approach on Wednesday, saying it had the support of Whitbread Investment Trust and Britannia Assurance, who with the board control about 54 per cent of the votes.

Mr Adam Page, Midsummer chairman, said yesterday that he was surprised that Boddington could judge the bid proposal without agreeing to a meeting.

Midsummer bought its 1.95m Boddington shares between September 23 and October 9 at a total cost of £2.93m.

WHITEHEAD & Company's proposed acquisition of James Burroughs will not be referred to the Monopolies Commission.

Sedgwick transfers control of offshoot to TIC in £15m deal

Sedgwick Group, Britain's largest multinational insurance broker, has transferred the overall control of its former wholly-owned subsidiary, River Thames Insurance Company, to a deal with Transamerica Insurance Company.

TIC, the principal property-casualty insurance subsidiary of Transamerica Corporation, is subscribing £14.75m for new shares in River Thames Insurance that will give it a 51 per cent interest in the enlarged company.

The principal activity of River Thames Insurance is the

transaction of all classes of insurance and reinsurance business other than life and motor. Its retained premium income in 1986 was £21.7m. The increase in the capital base of River Thames Insurance, which will bring its net assets to £23m, will enable the company to maintain and develop its business within the London market.

The subscription by TIC enables this capital expansion to be made without increasing Sedgwick's financial commitment to insurance underwriting.

Jenners Edinburgh lifts interim profits to £0.3m

Jenners, Princes Street, Edinburgh, the departmental store operator, more than doubled pre-tax profits from £151,000 to £297,000 in the half year to end July.

The trading profit was £182,000 (£37,000) and other income amounted to £115,000 (£24,000); tax charged was £104,000 (£47,000) and there were no exceptional items this time (£27,000).

The interim dividend is stepped up from 10p to 12p but this is largely to reduce disparity and does not necessarily imply an increase for the year, the directors said.

An increase in tourism and a satisfactory rise in home-based sales produced improved turnover and profits for the half year. A poor spring fashion season did affect profitability but the general increase in volume more than offset this.

COMPANY NEWS IN BRIEF

BUSINESS MORTGAGE Trust: Bolton House Securities has acquired a further 7,000 ordinary shares in the holding to 2.31m shares (4.71 per cent).

ASAC INVESTMENTS has agreed to acquire the Rickett Stevens Colman Partnership, consulting civil engineers, for £1,050m to be satisfied as to £700,000 cash and £375,000 via the issue of 853,772 new ordinary at 106p. The Partnership made profits of £162,000 on a turnover of £271,000 in the year to end June. Net assets at year-end amounted to £148,000.

TYNDALL HOLDINGS: A total of 23.64m ordinary (90.11 per cent) of the rights issue were taken up, with the balance of 2.5m sold in the market at a premium. The incorrect announcement yesterday that 84.56 per cent had been taken up was due to an error by the registrars.

RIVERHEAD & Mercantile Geared Capital and Income Trust: Net asset value per income ordinary share was 70.57p (64.3p) or 35.51p (28p) per preference capital share as at September 30 1987. After-tax revenue for half year £455,000 (£244,000) and earnings per share 3.25p (3.17p). Second interim dividend 1.1p.

RTI has acquired over 50 per cent of Stewart-Warner Corporation under terms of the cash offer announced last month and will begin the compulsory acquisition of the outstanding minority interests. The offer values Stewart-Warner at £230m (£133m).

REED REGIONAL Newspapers, a subsidiary of Reed International, has acquired the entire issued share capital of Billington and Wright, publisher of the north London-based Independent Group of Free Newspapers. The group has a combined free weekly distribution of some 500,000 copies.

GOLD GREENLEES TROTT has become a 30 per cent partner in the COBA Group, an entrepreneurial firm of 16 professionals who offer corporate business advice and management consultancy. The consideration for the purchase is linked to the profits of the partnership for 1987 and 1988, and will be satisfied by the issue of up to 120,000 new shares in GGT.

STERLING PUBLISHING GROUP: Agreed to acquire Cornhill Publications for an initial consideration of £2,465,450 to be satisfied by the issue of 1,954,104 new Sterling ordinary of which the vendors will retain 400,855 new ordinary. The remainder are being placed, together with an additional

£12,123 shares which are being issued to finance the costs and to provide additional working capital. There are clawback arrangements whereby shareholders of Sterling can acquire the shares at the placing price of 131p per share on the basis of one new share for every eight held.

CALEDONIA INVESTMENTS: Mr Ron Brerley's IEP Securities has raised its stake to 6.17 per cent.

HTV restructures to ease purchases

By Clay Harris

HTV Group is to change its capital structure to pave the way for future acquisitions. The ITV contractor for Wales and the west of England yesterday unveiled plans to create one class of share by enfranchising 20.5m non-voting shares and granting current holders of the 233,300 voting shares an 11-for-six scrip issue.

HTV's non-voting shares were unchanged yesterday at 374p. The change was necessary in order to get any future issue of HTV shares underwritten, said Mr Tim Knowles, group managing director. Having extracted itself from diary publishing, HTV has made clear its intention to take advantage of new opportunities available to broadcasters.

If approved by both classes of shareholders, the change would give HTV its first glimpse of any concentration of holdings in its shares. So long as shares are non-voting, ordinary disclosure requirements do not apply. Shareholdings of 10 per cent or more are subject to approval by the Independent Broadcasting Authority.

The change would leave Grampian Television, franchise holder for the north of Scotland, as the only ITV contractor retaining a split-level voting structure.

Benlox wishes to make clear that it has not ruled out the possibility of introducing a cash alternative to its £20m share offer for Storehouse - but does not feel that it is appropriate to introduce a cash offer at the present time. This corrects the impression given by a headline in yesterday's Financial Times.

Benlox

Cityvision's £4.4m rights

Cityvision, a USM-quoted company involved in video film hire through retail outlets, more than doubled pre-tax profits from £119,000 to £241,000 on turnover up from £1.21m to £1.88m for the six months to May 31 1987.

At the same time the company announced the acquisition of the remaining 50 per cent of Videoserve, which will be funded by a £4.38m rights issue.

Mr David Quayle, chairman,

said that the acquisition represented a significant step in the company's strategy of becoming the major force in the video film hire market.

Cityvision will now be supplying over 1,100 non-specialist retail outlets owned by national chains and would itself own the largest national chain.

The directors looked forward with confidence to a successful outcome to the current year and continuing further growth.

The acquisition, for a total consideration of £2m, will be funded by a one-for-six rights issue at 50p per share which will also allow Cityvision to take advantage of further acquisitions.

An extraordinary general meeting will be held on November 9 to approve the acquisition and rights offer.

Cityvision and CBS/Fox Video each own 50 per cent of Videoserve. The purchase consideration for the shares will be £1.6m for the first 40 per cent, and £400,000 for the remainder in November 1988. In addition Cityvision will acquire the loan made by CBS/Fox to Videoserve of £1m at par in four instalments.

After group and related company taxes totalling £24,000 (nil) earnings per share worked out at 0.57p (0.39p). Group profit came to £20,000 (loss £2,000). Related company profit was £161,000 (£122,000).

Stanhope Prop. jumps to 312p on first day

Stanhope Properties yesterday came within a whisker of overtaking Mrs Fields as the largest company on the Unlisted Securities Market after its shares enjoyed a spectacular debut in first day dealing.

Its shares closed at 312p, a substantial premium to the 250p striking price of the tender offer, and nearly three times the company's net asset value as stated in its prospectus.

At that price, the property company with interests in the Broadgate office complex in the City has a market capitalisation of £24.6m - only fractionally behind that of Mrs Fields.

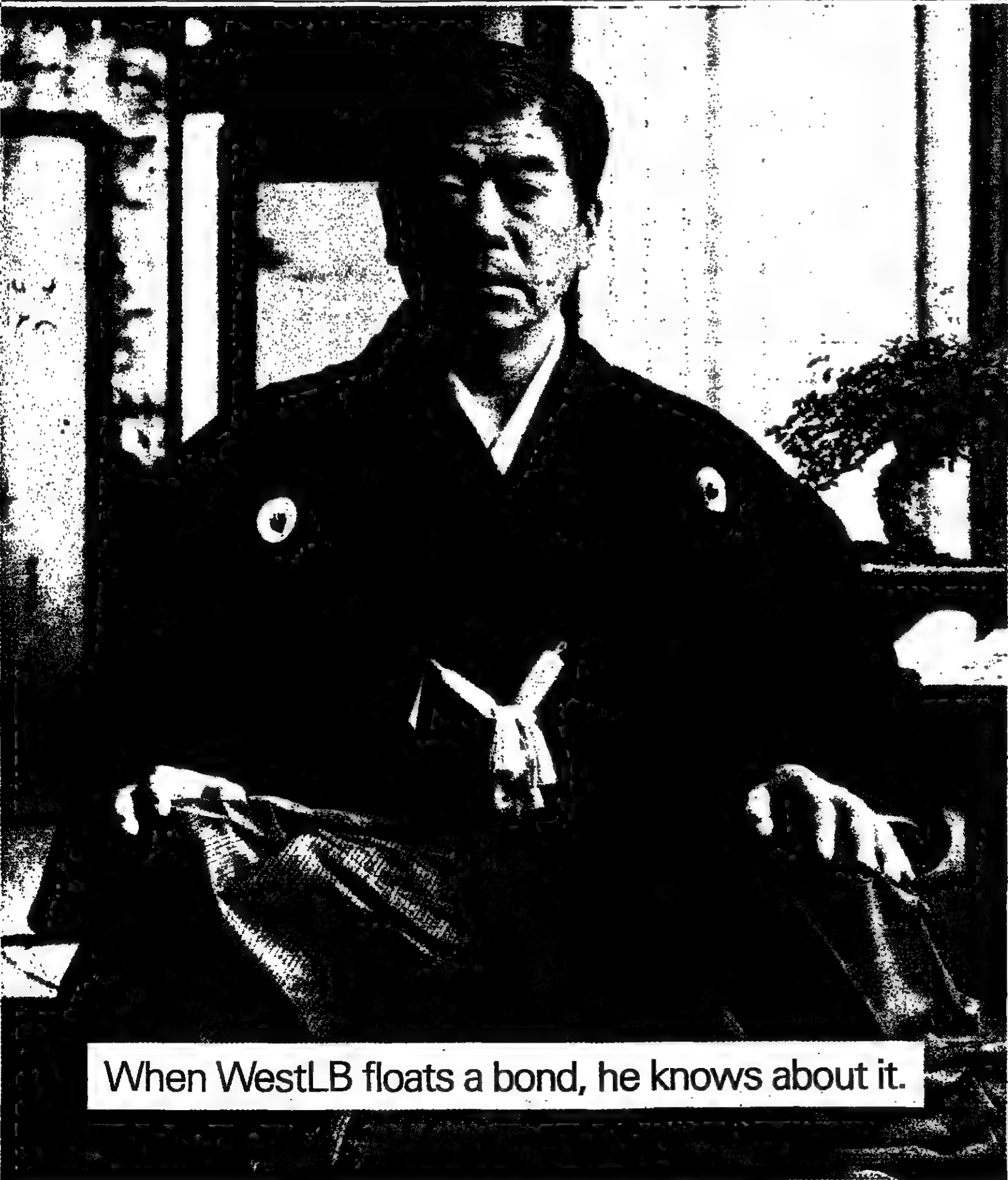
Shares in ISA International, the office consumables company, also went to healthy premium yesterday in first day dealing. Its shares closed at 145p, 60p above the 80p placing price,

Smaller Companies earnings fall

Gross income of the Smaller Companies International Trust rose from £287,000 to £1.04m in the six months to September 30. But with interest charges up from £1,000 to £425,000, due mainly to the £2m loan drawn in April 1987, and administration expenses up from £117,000 to £159,000, pre-tax profits were £41,000 down to £428,000.

Tax amounted to £120,000 (£141,000) leaving earnings per share down from 0.85p to 0.77p.

The directors said the incidence of investment income and the effect of the investment of the loan would generate significantly lower earnings per share in the second half of the year.



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UK COMPANY NEWS

Fidelity checks Caparo but profits doubled

DOUBLED pre-tax profits of £1.2m against a previous £615,000 were announced yesterday by Caparo Industries, engineering and consumer electronics group, for the half year ended June 30.

The profits surge was achieved despite the continuation of losses at Fidelity, the television and audio equipment company, said Mr Swraj Paul, chairman.

There was, however, a full half year's contribution from United Merchant Bar - a joint venture with British Steel Corporation which owns 25 per cent - as well as very satisfactory profit increases from its three other major companies, Wrexham Wire, Barton Engineering and Barton Abrasives.

Operating profits of the industrial division were up from £2.8m to £4.11m before interest of £1.04m (£245,000). But progress was held in check by the electronics division where there were increased losses of £1.6m (£254,000), before interest

of £701,000 (£216,000), where Fidelity suffered gross margins even lower than last year.

Mr Paul said that Caparo had continued to examine outline proposals with a number of possible purchasers at joint venture parties whose involvement could give Fidelity a more secure commercial future.

He said that the board believed the key to commercial success for Fidelity in the medium term lay in increasing the range of merchandise which it imported from the highly cost competitive Far East.

At the same time, its manufacturing should be orientated to the higher margin more technically sophisticated products such as its new digital large screen televisions and cordless phones. But, said Mr Paul, a solution of that type would take time to achieve, during which period trading losses might still continue which were no longer acceptable to Caparo.

Hiving off Fidelity is still under active consideration and the chairman is determined that a satisfactory solution be found as soon as possible, and preferably before the end of 1987.

Commenting on prospects, Mr Paul said the directors had great confidence in the ability of the industrial companies, their management, and the more buoyant UK market in which they operated. Against that background they were actively considering expansion by acquisition in the engineering and steel related industries.

The performance for 1987 as a whole would still be affected by Fidelity, nonetheless good overall progress was expected.

Total turnover for the period increased from £29.82m to £30.93m; tax took £379,000 (£198,000) and minority interests, £172,500 (£70,600) leaving attributable profits of £251,000 (£259,000) for earnings of 0.16p (0.61p) undiluted and 0.63p (0.66p) fully diluted.

The interim dividend is maintained at 0.75p per 25p share.

Peek makes £5m acquisition

BY DINA MEXLAND

Peek Holdings, the "shell" turned into industrial holding company controlled by South African industrialist Mr Kenneth Maud, has agreed to buy 78 per cent of CIC, a US company producing special-purpose instruments for the industrial and aerospace industries, and to acquire the remaining 22 per cent by tender offer, valuing the company at approximately \$3.5m (£2.2m).

CIC also supplies electronic pulse rate monitoring equipment for the medical and health care market. The company's quoted on Nasdaq, and was capitalised at \$5.6m prior to Peek's offer. Its shares are currently traded on the over-the-counter market in the US.

Peek is to finance 78 per cent of the purchase by the issue of 4,733,554 new Peek ordinary shares to the vendors at 110p per share. These shares have been conditionally placed by Shearson Lehman Securities.

The remaining 22 per cent of CIC will be purchased by tender offer at \$5 a share to be made by October 21, which will value the company at \$3.54m (£2.2m). The offer is being made through Peek's US subsidiary holding company, Saratoc Inc, based in Delaware.

In the first-half to June 30, 1987, CIC raised pre-tax profits by 48 per cent to \$784,000 on sales up 28 per cent to \$3.35m. Based on these figures, the purchase price indicates a pie ratio of about 10, the company said.

CIC is also expected to grow by over 40 per cent this year, and has an unguaranteed balance sheet with cash deposits of about \$1m.

The technology used by CIC is similar to that used in Peek's subsidiary, Saratoc Technology, acquired in February. Mr Kenneth Maud said the acquisition of CIC was a "small, but logical extension of Peek's activities."

Peek revealed pre-tax profits up from £27,000 to £269,000 in the six months to the end of June, and said the outlook for the remainder of the year was good. The Saratoc Technology acquisition was followed by the purchase of Husky Computers in July for £3.5m.

Nu-Swift maintains progress

THE DIRECTORS of Nu-Swift Industries said they continued to be encouraged by the progress experienced during the first half of 1987.

They reported a substantial increase from £8.08m to £11.25m in pre-tax profits for the period to June 30, and the interim dividend is increased from 1.75p to 3p net.

Trading operations in the UK continued to provide satisfactory results - Nu-Swift manufactures fire extinguishers and extinguishing agents.

The profits increase was largely due to the improvement of Compagnie Centrale SICIL, its French subsidiary.

Group turnover in the opening half rose from £27.17m to £28.12m. Stated earnings per share improved from 9.43p to 13.17p.

Frenchman Mr Jacques Gaston Murray has a controlling 67 per cent interest in the group.

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EUROPEAN ENERGY

William Dawkins reports on the climax to five years' work on thermo-nuclear fusion

Big four plot out their sci-fi aims

IT SOUNDS like science fiction: a thermo-nuclear fusion reactor, providing a near-limitless source of pollution-free energy, jointly run and designed by the US, the Soviet Union, the EC and Japan.

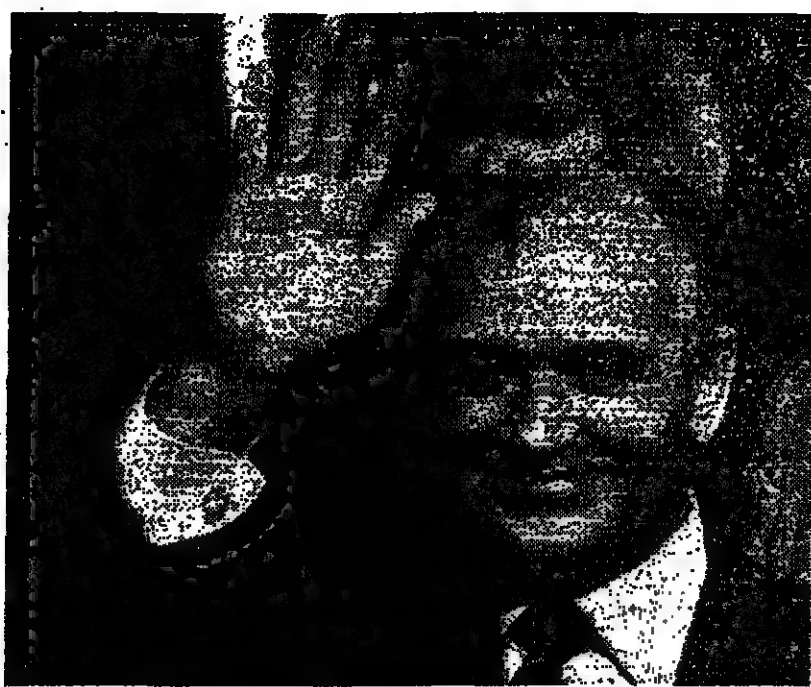
Yet that is just what top scientific officials from the four major powers will discuss when they meet at the International Atomic Energy Agency (IAEA) in Vienna next Sunday and Monday. They all want slightly different things from what looks set to be a controversial climax to five years of sensitive groundwork.

But they have one ambitious aim in common: to pool their huge research efforts to produce within three years a so-called "conceptual design" for an International Thermonuclear Experimental Reactor (ITER). Between them, the four powers employ more than 5,000 scientists in nuclear fusion and spend well over \$1bn a year on an energy source that is unlikely to become commercially possible before the end of the century.

The meeting is seen in Brussels as the latest and perhaps most important sign of Soviet openness towards the European Community. The two sides do not have formal diplomatic relations. So the fact that Moscow is now talking directly to officials in Brussels about co-operation in fusion does imply some sort of recognition - and this is just a week after a Soviet delegation told the European Parliament that they were interested in participating in the Euratom research co-operation scheme involving 19 European countries.

The talks are an equally remarkable sign of changing attitudes from at least some quarters in Washington. Two to three years ago, the US would never have considered discussing such matters with the Kremlin. European Commission officials point out: "The political will that these talks should bring positive results comes right from the very top," claims Mr Charles Mazonnier, director of the EC's fusion programme. That said, the negotiators have to come to terms with several sensitive problems.

The Vienna meeting is partly a result of a call by EC leaders at their Versailles summit in 1982 for the widest possible co-operation in fusion. This was followed three years later by a bilateral approach to the French Government by Mr Mikhail Gorbachev, the Soviet leader, quietly deflected by a note from Paris that Moscow should address its overtures to the European Commission. The ball was finally set



Mikhail Gorbachev: approach to the French

rolling by the 1985 Geneva arms talks, in which both sides agreed to co-operate on fusion.

The most obvious hurdle is how any meaningful joint fusion effort can work within the rules of Cocom, the committee which regulates technology exports to the Soviet bloc from 15 countries including the US, all EC member states and Japan.

Formally, Washington thinks this can be done, so long as the co-operation is confined to design work. Almost by definition, the ITER project can only have peaceful aims because it is to do with controlled fusion, as opposed to the uncontrolled reactions used in H-bombs. Yet the Defense Department is still said to be worried - and the question cannot be dodged indefinitely.

Linked to that are the three non-Soviet partners' worries that they could end up giving away more than they intended. In one sense, Moscow has an historical right to share their fusion skills. Its scientists

built in the mid 1960s the world's first tokamak, a machine for producing the powerful magnetic field needed to contain the super-heated gas or plasma central to the fusion process.

The design of that tokamak, inspected closely by UK scientists, made a major contribution to the EC's own fusion research effort, possibly the world's most advanced. Yet the Soviet Union is acknowledged to be behind in the basic technology needed to put its theoretical skills into practice. Its tokamaks, at the Kurchatov Institute and the Soviet Academy of Science in Moscow are relatively small and basic by Western standards.

That may be why Moscow argued in a preparatory meeting last March that ITER should be made the first step towards actually building a joint reactor, while the EC and the US are markedly more reserved about the outcome.

Another issue fraught with difficulty is how the partners are to insure themselves against the political risk of working with each other. The danger is that foreign policy rows - another Afghanistan or even a Japanese or US trade war - could bring the whole project to a halt, leaving all involved with a mound of incomplete and expensive research work. Here the EC could have more than anyone else to lose because it is ahead of the field in its own fusion research. By the same token, it feels it can lead the pack.

Brussels is keener than the others to see ITER closely aligned with its own fusion work, mainly at Culham in the UK, Cadarache in France and Garching in West Germany, so as to avoid duplicating research costs. At a push, the technical differences between the four can be mastered. "We are all more or less on the same path, even if we envisage variations later down the line," explains Mr Mazonnier.

Politically, however, the problem of who sets the keynote for the project is harder to tackle. The work does not need a great deal of equipment, but there does have to be a base.

The EC has proposed its laboratory at Garching near Munich, conveniently the base for the design work on its own European Torus, a large tokamak intended to confirm the scientific feasibility of fusion during the early 1990s and pave the way for a commercially viable reactor.

But the US has put in its own bid, motivated by a similar wish to influence the project in line with its own - albeit less committed - work. Washington has offered space at its fusion laboratories at Livermore near San Francisco.

One solution being mullied over by the IAEA is to use the agency's headquarters, which have the advantage of being on neutral ground but the drawback of being outside the helpful scientific environment of a national laboratory.

Moscow has no apparent preferences for a site. But it is a testament to the Soviet Union's wish for a more lasting co-operation than the others would like that has argued for a large permanent secretariat for the project, rather than the temporary arrangement involving maybe 10 scientists from each side that the others are prepared to accept.

The big four have set themselves a 1990 deadline for their fusion report - so they will have to reach an accord fast if the project is to work.

CHANNEL ISLANDS

The Financial Times proposes to publish a Survey on the above on

Monday 14th December, 1987

Topics proposed for discussion include:

The Economy	Communications
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FINANCIAL TIMES
EUROPE'S BUSINESS NEWSPAPER

LONDON - FRANKFURT - NEW YORK

Elders IXL - it's more than twice the company it was a year ago

Net Income*	\$A401.0 million	up 121%
Assets	\$A 9.8 billion	up 104%
Market Capitalisation	\$A 6.0 billion	up 200%

*Profit after tax, minority interests and preference dividends.

Elders IXL has a consistent record of solid increases in revenue, net income, earnings per share and dividends. This year, results have again reached new heights.

Elders IXL continues to implement its strategy for growth through its core businesses - Elders Brewing Group, Elders Agribusiness Group, Elders Finance Group and Elders Resources - and through the entrepreneurial management of its investments.

Key developments during the year were:

- The globalisation of the brewing business - by acquiring Courage Breweries (UK) and Carling O'Keefe Breweries (Canada) - now making Elders the sixth largest brewer in the world with Foster's Lager fast becoming a global brand.
- The progressive international expansion of other core businesses in Europe, North America and Asia.
- A significant profit result by Elders Resources Limited. In its first full year of operation the company reported \$A55 million profit after tax. Elders Resources has now attained a market capitalisation of over \$A1 billion.
- Elders IXL's success in raising \$A1,340 million in funds through convertible bond issues. Elders IXL further increased its equity base by \$A900 million through a rights issue.

Elders IXL Limited Financial Highlights - years ended 30th June

\$A million	1983	1984	1985	1986	1987
Revenue	\$3,700	\$5,600	\$7,000	\$7,700	\$10,600
Profit before tax	\$75.5	\$86.7	\$133.5	\$236.8	\$613.9
Net income	\$62.9	\$71.4	\$106.9	\$181.4	\$400.9
Total assets	\$1,198	\$2,438	\$2,147	\$4,795	\$9,795
Results per Ordinary Share					
Earnings	14c	16c	24c	36c	56c
Dividends	7c	9c	12c	14c	18c
Net asset backing	\$0.89	\$1.09	\$1.21	\$1.50	\$2.60

Elders IXL seeks real growth in profits to deliver high rewards for shareholders. Two recent developments, in accordance with these aims, are:

- An innovative reconstruction proposal in which 35% of the equity in Elders Brewing, Elders Agribusiness and Elders Finance Groups will be offered to the public. As part of the reconstruction, shareholders will have the choice of receiving either a capital repayment of \$A1 per share or a one-for-five bonus issue, subject to shareholder and court approval.
 - The flotation of Elders Investments Limited - an entrepreneurial investment company based in Hong Kong.
- The 1986/87 performance provides Elders with a sound base for the future - a future in which the Elders group of companies can continue to grow bigger and better than ever.

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DR-ELDL

Joint announcement



RAND MINES LIMITED

(Incorporated in the Republic of South Africa)
Registration No. 01/00885/08



Anglo American Corporation of South Africa Limited

(Incorporated in the Republic of South Africa)
Registration No. 01/00885/08



Barlow Rand Limited

(Incorporated in the Republic of South Africa)
Registration No. 02/00885/08

Offers to shareholders of Rand Mines Limited,
Anglo American Corporation of South Africa Limited and Barlow Rand Limited
of the renounceable right to subscribe for shares in Barlow Rand Limited

In a joint announcement on 3 August 1987, Rand Mines Limited ("Rand Mines") and Anglo American Corporation of South Africa Limited ("Anglo American") stated that Barlow Rand Mining and Exploration Company (Proprietary) Limited would establish a gold mine near Rustenburg in the eastern Transvaal. Pre-production capital expenditure required to bring the mine into production was estimated at R85 million in 1987 money terms. Since then, the latter company has been converted into a public company under the name Barlow Rand Limited ("Barlow Rand").

Wishes to offer by Barlow Rand:

In order to finance the initial expenditure, Barlow Rand proposes to raise R20 000 000 by way of a rights offer of the renounceable right to subscribe for 30 000 000 shares of 1 cent each at 100 cents per share to its existing shareholders, namely Rand Mines and Anglo American and its associates. In order to obtain a spread of shareholders to the extent required to secure a listing on the Johannesburg Stock Exchange ("the JSE") for the entire issued share capital of Barlow Rand, which will amount to some 88 888 000 shares after the rights offer, Rand Mines and Anglo American will renounce in favour of their respective shareholders the major portion of their subscription rights subject to the limitations referred to below.

By virtue of its controlling interest in Rand Mines, Barlow Rand Limited ("Barlow Rand") will be entitled to 74.4 per cent of the rights to be renounced by Rand Mines. In turn, Barlow Rand will renounce the major proportion of those rights in favour of its shareholders and equity holders, subject to the limitations referred to below.

The renunciations by Anglo American and Barlow Rand will be done on the basis that only those shareholders who qualify for a minimum of 100 shares in Barlow Rand will receive letters of allocation for their entitlements. The rights to which shareholders who do not qualify would otherwise have been entitled, will be aggregated and sold on the JSE or The Stock Exchange, London ("LSE") as appropriate and they will receive cheques for their pro rata share of the net proceeds of such sale in due course.

The Barlow Rand rights offer is subject to the JSE granting listings for the relevant renounceable ("all paid") letters of allocation as well as the Barlow Rand shares in due course. It may be possible to deal on the LSE in terms of Rule 338(4a) in Barlow Rand letters of allocation and shares. However, no application will be made for the Barlow Rand shares to be admitted to the official list of the LSE nor for permission for dealings to take place in the Unlisted Securities Market of the LSE.

Additional funding:

As part of the initial negotiations between the existing members of Barlow Rand, it has been agreed that once Barlow Rand has raised in full the funds raised in terms of the Barlow Rand rights offer, further funding amounting to R85 million will be provided by Rand Mines and Anglo American and its associates in quarterly tranches as and when Barlow Rand requires such funding for capital expenditure and to supplement its working capital. The further funding will be advanced by way of convertible debentures bearing unsecured debenture interest of 100 cents each, convertible into shares on a 1 for 1 basis at the option of the debenture holders or when the full R85 million has been advanced, which must be by not later than 30 September 1989.

Share of the offer:

Rand Mines, Anglo American and Barlow Rand will each subscribe for a portion of the Barlow Rand rights and further portions will be offered to selected members of staff of the companies concerned. Subject to the limitations stated herein, the remaining rights will be offered as follows:

by Rand Mines to its shareholders, pro rata to their holdings, in the ratio of 111 shares in Barlow Rand for every 100 shares held in Rand Mines;

by Anglo American to holders of its ordinary and "B" ordinary shares in the ratio of five shares in Barlow Rand for every 100 shares held in Anglo American; and

by Barlow Rand to holders of its preferred ordinary shares and ordinary shares and to holders of options awarded before 10 September 1987 in terms of the Barlow Rand Share Option Scheme in the ratio of five shares in Barlow Rand for every 100 preferred ordinary shares, ordinary shares and options to acquire ordinary shares held in Barlow Rand.

The Barlow Rand shares will not be registered with the Securities and Exchange Commission, Washington DC, or the Securities Commission of Canada and, accordingly, no offer is being made to shareholders of Rand Mines, Anglo American or Barlow Rand with registered addresses in the United States of America or Canada. The rights which would otherwise have been allocated to such persons will, if possible, be sold on their behalf and the net proceeds retained to them.

Key date to register:

The offer will be made to the holders of the abovementioned securities registered at the close of business on Friday 30 October 1987 (other than the holders of Barlow Rand options whose last date for registration was 10 September 1987). To clear these securities, these persons entitled to receive the offer, the relevant registers will be closed from 31 October 1987 to 6 November 1987, inclusive.

Circulars to shareholders:

Circulars, which will include the renounceable (all paid) letters of allocation, where applicable, and the Barlow Rand prospectus, are being finalised and will be sent to qualifying shareholders of Rand Mines, Anglo American and Barlow Rand on or about 6 November 1987.

Johannesburg
16 October 1987

COMMODITIES AND AGRICULTURE

Palestinian fruit heads for Europe

BY OUR TEL AVIV CORRESPONDENT

ORANGES AND grapefruit labelled "Hebron", "Nablus" or "Gaza" may go on sale alongside Israel's Jaffa citrus in European shops next year following European Commission Claude Cheysson's talks here this week.

It initially appeared that Mr Cheysson had failed to reach any agreement with Israeli Ministers on the controversial issue of agricultural exports from the Israeli-occupied territories. But officials on both sides now say that Israel has reluctantly agreed to allow Palestinian farmers from the occupied West Bank and the Gaza Strip to export their produce directly to the European Community under their own labels.

Mr Cheysson, in charge of EC Mediterranean Policy, played down the tentative accord, saying it was only a technical measure, in an effort to avoid political embarrassment for Mr Yitzhak Shamir, Israel's prime minister.

Mr Shamir's right-wing Likud bloc opposes any attempt to make the occupied territories economically or politically independent of Israel and Mr Ariel Sharon, the hawkish

Industry and Trade Minister, has vowed that Palestinian growers would export "not one orange, not one grapefruit" independently.

In tough private talks, Mr Cheysson used two main arguments to persuade Israeli leaders to yield on an issue of more political than economic concern to the Europeans.

He warned that Israel was committing large-scale fraud by having its Agrexco marketing corporation produce from the West Bank and Gaza, worth an estimated \$1m a year, falsely declared as Israeli.

Israel's current practice would not stand up in court, he told a news conference. He also said the European Parliament would require absolute majority to ratify a recent agreement lowering tariffs on Israeli agricultural exports if the political climate was poisoned by a row over the occupied territories.

Israel is anxious to have the accord, initiated last year, implemented immediately because its lucrative exports of cut flowers are now subject to a higher tariff than Spain's. Most Palestinian produce — \$45m worth last year — is

exported on a circuitous route via Jordan, which imposes its own quotas.

On the positive side, Mr Cheysson noted that allowing direct exports would lend substance to Israel's declared aim of improving the quality of life in the West Bank and Gaza Strip.

He also reassured the Israelis that the estimated 25,000 to 30,000 tonnes of Palestinian citrus would not be deducted from Israel's quotas, and that any loss would be made up by Israel's own production.

A senior Israeli foreign ministry official, who had been impressed by the legal arguments, said he could agree to a practical arrangement for direct exports.

Mr Cheysson said the Palestinians should be free to use whatever they want to market their produce in Europe, hinting that they might like to employ a major European distributor. European officials are counting on Mr Shamir's awareness of the legal dangers to thwart any attempt by Mr Sharon to wage a political campaign against the direct export plan.

to sort out the technical issues of labelling and certification of origin. EC officials are crossing their fingers that Palestinian growers will not provoke the Israelis politically by demanding that their fruit and vegetables be labelled "Palestine".

Other parts of the export process remain murky. Mr Cheysson deliberately avoided the issue of how the produce would be transported across Israel, packaged and shipped to Europe, leaving the Palestinians to work out their own arrangements, presumably with Agrexco.

The biggest uncertainty hangs over the marketing of the produce in Europe. The Israelis seem determined that this should be handled by Agrexco, to avoid unwelcome competition for Israeli produce.

Mr Cheysson said the Palestinians should be free to use whatever they want to market their produce in Europe, hinting that they might like to employ a major European distributor. European officials are counting on Mr Shamir's awareness of the legal dangers to thwart any attempt by Mr Sharon to wage a political campaign against the direct export plan.

Keeping the greengrocery bill down

GIVEN THE European Community's soaring agricultural budget over the past few years, it must be reassuring for policy-makers in Brussels to know that there is at least one sector where spending recently has been cut sharply.

Fruits and vegetables may not be the cornerstone of the Common Agricultural Policy but it is instructive nevertheless that the cost of this little-publicised regime is expected to work out at just above Ecu 1bn this year, compared with Ecu 1.48bn in 1984.

Admittedly the perishable nature of the product prevents any build-up of stocks and mitigates the need for export restrictions—a system of subsidies which has proved crippling elsewhere when currencies move the wrong way and world prices collapse.

On the other hand, fruit and vegetable producers throughout the Community can justly claim that they have had to swallow some of the harshest medicine administered by Brussels since 1984 and that significant measures have already been taken, notably in the tomatoes sector, to "stabilise" expenditure in the sector.

The EC's support for fruit and vegetables covers a bewildering range of different products—from garlic onions and green peas to apples and mandarins—grown both for the fresh market and for the processing industry. "There must be at least 40 to 50" commented one senior official in the Commission's Directorate General, apparently not in possession of the precise figure. Inevitably such diversity requires complexity and renders inappropriate efforts to



impose any uniform financial disciplines on the market. The sector is further characterised by sharp seasonal variations and keen price sensitivity to even small increases in supply—some surpluses are "structural" and some are the result of production in too high, but most of the problems are created by short term imbalances which, by their nature, are difficult to predict—moreover, as with wine and tobacco, the bulk of output comes from the southern member states (notably Italy, Greece and Spain) with all the associated political tensions which that entails.

The fruit and vegetable regime was one of the first to be established under the CAP in the early 1960s. It consists of a system of import duties (notably, dried grapes, pears and cherries. These thresholds do not cut off aid in the year of surplus production but the level of support is cut in the following 12 months. The really hard bargaining is unlikely to begin until next year when the Commission will meet on Monday to start their deliberations on the whole range of stabilisers they will be conscious that further concessions on fruit and vegetables will not be easily won. Mediterranean producers point out that "northern" products like cereals and beef are far greater levels of Community support as well as stronger protection against non-EEC producers. This is provided in the case of fruit and vegetables by a system of import duties which importers must respect or face the penalty of paying a supplementary duty. The trouble, as seen from "the south", is that the duty is applied retrospectively to the damage has been done—and that many of the EC's so-called Mediterranean agreements with trading partners in the region provide exemptions from production rules. Officials in Brussels point out these supplies generally do not coincide with the relevant Community harvests but some member states, notably Italy, are already arguing for a reinforcement in the fruit and vegetables area of Community preference.

According to the Commission, the worst of the tomato problem would appear to be over but there are other products where surpluses are high or potentially high—withdrawals of aid from the production of mandarins, oranges from production, dried grapes, pears and cherries. These thresholds do not cut off aid in the year of surplus production but the level of support is cut in the following 12 months.

raw material from EC producers—and an "intervention" system operated mainly by the Commission, whereby fruits and vegetables are taken off the market and farmers paid a guaranteed "buying in" or "withdrawal" price in compensation.

The aim is to underpin prices and protect producers' incomes. But the policy has attracted political criticism. A Commission official admits that the bulk of these surpluses are given away to hospitals or charities, but a proportion of production inevitably has to be destroyed.

Brussels has generally pursued a restrictive policy for most products over the past three years, but a guarantee threshold (ie production limit) was introduced for the first time in 1987 in an effort to control the buying in of fresh tomatoes. Tomato production has expanded sharply as growers have sought to cash in on the generous subsidies paid to the processing industry which accounts for a major share of output. In its paper on stabilisers last month, the Minister, who was speaking at a seminar organised by the Food and Drink Manufacturing Economic Development Council, said he believed the Community should make a much greater effort to stimulate consumption of dairy produce.

Similar plans are afoot to extend to other products (also unspecified) the system of thresholds and quotas which restrict the amount of aid paid to processors. The Minister, who was speaking at a seminar organised by the Food and Drink Manufacturing Economic Development Council, said he believed the Community should make a much greater effort to stimulate consumption of dairy produce.

Pipeline problem cuts LPG output

By Lucy Kallaway

LIQUIFIED PETROLEUM gas prices are likely to remain under pressure at least until February following the announcement by BP yesterday that its LPG production in the North Sea will be cut by 10 per cent in the second half of 1987.

The plant, which handles gas from the giant Brent and Ninian fields, was shut down at the beginning of the month after pipes were discovered to be heavily corroded.

The closure has already had a marked impact on prices, and has cut production of LPG from the North Sea by about 10 per cent. At the beginning of this month Shell and BP announced an increase of between 30 and 40 per cent in propane and butane prices.

Traders said yesterday that further price rises could be in prospect, especially as the closure has occurred at a time of year when demand is at its peak.

MacGregor doubts milk quotas will be relaxed

BY BRIDGET BLOOM

THE APPARENT belief of the European Commission that the quota system for milk could be relaxed by 1991 should be treated with extreme caution, Mr John MacGregor, the British Minister of Agriculture, said yesterday.

There was still a serious imbalance in the Community market for dairy produce despite the introduction of quotas and a success in curbing production of butter and skimmed milk powder, the Minister said.

Milk deliveries had not fallen in line with quota either in the Community as a whole or in Britain, while consumption of some dairy produce, like butter, was static or actually falling.

In view of this, and farmers' increasing production, Mr MacGregor said he saw no realistic alternative to the continuation of strict controls on the absolute level of milk supplies throughout the Community.

Quotas were having some effect: butter production was down in the first six months of this year by over 13 per cent

compared to 1986 and skimmed milk powder by 17 per cent. However, in 1988, "the amount of butterfat exported with export refunds, disposed of with subsidies on the internal market or simply added to the intervention stockpile, was the equivalent of about 20m tonnes of milk." The quotas introduced last December were designed to reduce production by only 9.8, Mr MacGregor noted.

The Minister, who was speaking at a seminar organised by the Food and Drink Manufacturing Economic Development Council, said he believed the Community should make a much greater effort to stimulate consumption of dairy produce.

The Community was moving towards a situation in which the only purpose for producing surplus milk would be to meet a market demand. The Government and the Community, and also the dairy industry itself, had to come to terms with "working thinking" and operating in a free market way like any other industry, Mr MacGregor said.

West Bengal jute hit by flooding

By P. C. Mahalanad in Calcutta

EXTENSIVE FLOODING over the past month is feared to have caused heavy damage to the jute crop waiting to be harvested in West Bengal, which accounts for two-thirds of India's production.

Accurate assessment of crop losses will not be possible until the flood waters subside—but it is clear that the country's output will be well below the estimated 1.05m tonnes being estimated three weeks ago.

India's jute production follows a three year cycle and this was scheduled to be a short year in any case. In each of the last two years output reached 8m bales.

With large stocks having been carried forward from previous years and the milling industry operating at only two-thirds capacity, Indian jute traders and millers say they do not foresee an actual supply shortage. But the fibre market apparently takes a different view and the raw jute price has jumped to Rs 325 a quintal (25 cwt) from Rs 245 a little over three weeks ago.

LONDON MARKETS

A FRESH WAVE of speculative selling hit the cocoa futures market yesterday, sending prices to the lowest levels since January, 1985.

The March position slipped £17.50 to £117.75 a tonne as traders responded to bearish chart patterns and currency factors. Dealers also welcomed a somewhat surprising willingness on the part of some producing countries to sell physical cocoa, in spite of the increasing upwardward pressure, and this added to the downward pressure.

In the past few days sales have been reported from Brazil, Nigeria, the Ivory Coast and Ghana. At the same time, consumer demand remains slack, although manufacturers are being urged to stock up.

However, the strength of the dollar also depressed cocoa futures prices, with the January position closing at £124.50 a tonne. Dealers said developments on Brazil's October export registrations and the January position closing at £124.50 a tonne.

LME prices supplied by Assamagmet Metal Trading.

ALUMINIUM

90.75 Unofficial + or - High/Low
per tonne

Official closing (am): Cash 2170-80 (2160-80), three months 2170-80 (2160-80), settlement 2170 (2160). Final Kibb close: 2165-45. Ring turnover: 4,100 tonnes.

90.75 Unofficial + or - High/Low
per tonne

Official closing (am): Cash 1274-5 (1263-11), three months 1274-5 (1263-11), settlement 1275 (1263). Final Kibb close: 1263-11. Ring turnover: 35,775 tonnes.

90.75 Unofficial + or - High/Low
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INDICES

REUTERS

Oct 14 (Oct 13) 1987
1581.2 (1581.9) 1584.3 (1581.0)
(Base December 31 1981=100)

DOW JONES

Oct 14 (Oct 13) 1987
287.48 (287.85) 287.48 (287.85)
(Base December 31 1981=100)

MAIN PRICE CHANGES

Oct 15 + or - Month

1987 - 80

METALS

Aluminium

Free Market

Oct 14 (Oct 13) 1987

2170-80 (2160-80)

Copper

Oct 14 (Oct 13) 1987

117.75 (117.75)

Gold

Oct 14 (Oct 13) 1987

350.00 (350.00)

Silver

Oct 14 (Oct 13) 1987

160.00 (160.00)

Grains

Oct 14 (Oct 13) 1987

1274-5 (1263-11)

Wheat

Oct 14 (Oct 13) 1987

1274-5 (1263-11)

Corn

Oct 14 (Oct 13) 1987

1274-5 (1263-11)

Soybeans

Oct 14 (Oct 13) 1987

1274-5 (1263-11)

Cotton

Oct 14 (Oct 13) 1987

1274-5 (1263-11)

Rubber

Oct 14 (Oct 13) 1987

1274-5 (1263-11)

Coffee

Oct 14 (Oct 13) 1987

1274-5 (1263-11)

Tea

Oct 14 (Oct 13) 1987

1274-5 (1263-11)

Sugar

Oct 14 (Oct 13) 1987

1274-5 (1263-11)

Cocoa

Oct 14 (Oct 13) 1987

1274-5 (1263-11)

Hides

Oct 14 (Oct 13) 1987

1274-5 (1263-11)

Fur

Oct 14 (Oct 13) 1987

1274-5 (1263-11)

Wool

Oct 14 (Oct 13) 1987

1274-5 (1263-11)

Linen

Oct 14 (Oct 13) 1987

1274-5 (1263-11)

Silk

Oct 14 (Oct 13) 1987

1274-5 (1263-11)

Jute

Oct 14 (Oct 13) 1987

1274-5 (1263-11)

Hemp

Oct 14 (Oct 13) 1987

1274-5 (1263-11)

Flax

Oct 14 (Oct 13) 1987

1274-5 (1263-11)

Cotton

Oct 14 (Oct 13) 1987

1274-5 (1263-11)

Wool

Oct 14 (Oct 13) 1987

1274-5 (1263-11)

Linen

Oct 14 (Oct 13) 1987

1274-5 (1263-11)

US MARKETS

WEAKNESS in the US dollar

prompted good trade, local

and commission house buying

in the precious metals, re-

ports steel, aluminum, lamb-

ber. However, increasing

trade pressure towards the

high led to long liquidation

which reversed the day's

trend. Copper firmed in line

with the precious metals but

fund liquidation and local

selling eased the market be-

fore late commission house

buying and local short-cover-

ing helped prices recover.

Crude oil futures were held

to narrow ranges as the mar-

ket tended to consolidate.

Early commission house

short-covering was noted

which took the market to the

high. Heavy trade selling of

the spreads was also noted

which led to a narrowing of

differences. The softs were

CURRENCIES, MONEY AND CAPITAL MARKETS

FOREIGN EXCHANGES

Dollar continues to slip

THE DOLLAR fell sharply in currency markets yesterday in reaction to disappointing US trade figures. The losses in early European trading had been fairly modest because there was a reluctance to test lower support levels for fear of attracting central bank intervention.

Nevertheless the US unit edged gently during the morning before being marked down more sharply as US centres joined the market. Traders were very bearish about the dollar and the prospect of an easy rise in the US discount rate failed to have any impact.

Central banks were not active but continued to try and flex their muscles without actually committing funds. Dealers suggested that intervention today would have been a concession by the Fed to allow the dollar to slip a little as long as the decline remained orderly.

The dollar closed at DM 1.8005 down from DM 1.8120 on Wednesday but up from a low of DM 1.7920. Against the yen it slipped to ¥142.10 from ¥142.50, where it finished at ¥142.50 on Wednesday and ¥142.50 on Tuesday.

STERLING—Trading range against the dollar in 1987 is 1.6885 to 1.7116. September average was \$1.6456. Exchange rate index fell against 73.5 at the opening and 73.2 on Wednesday. The six months age figure was 72.1.

Sterling rose against the DM dollar but stayed below the DM 2. IN NEW YORK

Forward premiums and discounts apply to the U.S. dollar.

STERLING INDEX

Oct. 15

Oct. 15

Oct. 15

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FINANCIAL FUTURES

Record volume on Liffe

LONG TERM gilt futures, and bond prices in general, fell in hectic trading on the London International Financial Futures Exchange yesterday.

Total futures and options trading was a record 115,000, compared with the previous peak of 101,510 on April 14. Overall futures volume was a record 102,000 against \$3,471 on April 14. Gilt futures declined to 10-month lows, as US Treasury bonds came under pressure on fears that the wide US trade deficit will lead to a continuing weakness of the dollar and higher interest rates.

Better than expected UK economic news provided only limited support. The underlying rise in UK average earnings in the year to August was unchanged at 7.7 per cent, while September UK unemployment fell a record 53,000 to 2.77m.

The next important figure for the market will be today's UK public sector borrowing requirement for September. This is expected to be about £700m, according to a survey by Money Market Services.

December gilts opened at 113-10, near the day's high of 113-18, and fell to a low of 112-03, before closing at 113-34, compared with 113-27 on Wednesday.

US Treasury bond futures opened weaker on Liffe, after sharp falls in Chicago overnight in reaction to the disappointing US trade figures.

US markets opened on a depressed note again yesterday, with the 30-year bond yield rising to almost a two-year high of 10.36 per cent in New York cash trading. US Treasury bonds for December delivery opened at 78-07 on Liffe, and touched 78-50, before closing at 77-30, against 78-00 previously.

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Company Notices

UNION BANK OF FINLAND LTD

NOTICE

to the holders of the outstanding
U.S. \$100,000,000 Floating Rate
Subordinated Notes due 2034 (the "Notes")
of
Union Bank of Finland Ltd

NOTICE IS HEREBY GIVEN to the holders of the Notes that, at the adjourned Meeting of such holders, convened by the Notice published in the Financial Times and the Luxembourg Wort on 24th August, 1987 and held on 4th September, 1987, the Extraordinary Resolution set out in such Notice was duly passed. Accordingly, the modifications to the Terms and Conditions of the Notes and the Trust Deed constituting the Notes set out in the Extraordinary Resolution (namely the deletion of the negative covenant clauses from both) have been made, with effect from 24th September, 1987, by means of a Supplemental Trust Deed of the same date.

16th October 1987

THE ROYAL BANK OF CANADA

DIVIDEND No 401

NOTICE IS HEREBY GIVEN that a dividend of 52 cents per share upon the paid up common shares of this Bank has been declared for the current quarter and will be payable at the Bank and its Branches on and after 24th November 1987 to shareholders on record at close of business on 23rd October 1987.

By Order of the Board

R. J. Moore

Vice President and Secretary

Ecu 175,000,000

Credit National

Guaranteed Floating Rate

Notes due 1995

For the three months period October 15, 1987 to January 15, 1988 the notes will carry an interest rate of 7 1/8% per annum with an interest amount of Ecu 202,85 per Ecu 100,000 note.

The relevant interest payment date will be January 15, 1988.

BANQUE PARIBAS (LUXEMBOURG) S.A.

Agent Bank

I.G. INDEX LTD, 9-11 GROSVENOR GARDENS, LONDON SW1W 0BD

Tel 01-828 7233/5695 Reuters Code: IGIN, IGI0

Dec 18/22/26 -6 Dec 23/24/27 -1 Dec 28/32/36 -3

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Dec 18/22/26 -6 Dec 23/24/27 -1 Dec 28/32/36 -3

Dec 18/22/26 -6 Dec 23/24/27 -1 Dec 28/32/36

WORLD MARKETS

FT ACTUARIES WORLD INDICES

Jointly compiled by the Financial Times, Goldman, Sachs & Co., and Wood Mackenzie & Co. Ltd., in conjunction with the Institute of Actuaries and the Faculty of Actuaries

NATIONAL AND REGIONAL MARKETS	THURSDAY OCTOBER 15 1987				WEDNESDAY OCTOBER 14 1987				DOLLAR INDEX		
	US Dollar Index	Day's Change %	Point	Local Currency Index	US Dollar Index	Day's Change %	Point	Local Currency Index	1987 High	1987 Low	Year ago (approx)
Figures in parentheses show number of stocks per grouping											
Australia (91)	165.39	-0.9	147.32	150.98	166.95	-0.9	147.32	150.98	168.81	159.92	89.47
Austria (16)	101.76	+0.3	90.64	95.19	101.45	+0.3	90.64	95.19	102.87	95.53	96.46
Belgium (16)	120.75	-2.5	107.56	112.57	120.75	-2.5	107.56	112.57	123.89	96.19	89.65
Canada (129)	129.00	-1.2	114.90	121.48	129.00	-1.2	114.90	121.48	131.78	100.00	97.67
Denmark (38)	121.29	-0.5	108.09	113.99	121.29	-0.5	108.09	113.99	123.82	98.18	96.35
France (122)	99.08	-1.5	88.20	93.41	99.08	-1.5	88.20	93.41	101.82	93.39	93.90
Germany (93)	151.51	-0.8	135.80	147.77	151.51	-0.8	135.80	147.77	154.68	96.09	89.09
Italy (122)	152.46	-2.1	139.18	147.77	152.46	-2.1	139.18	147.77	154.68	96.09	89.09
Japan (458)	152.46	-2.1	139.18	147.77	152.46	-2.1	139.18	147.77	154.68	96.09	89.09
Netherlands (37)	152.46	-2.1	139.18	147.77	152.46	-2.1	139.18	147.77	154.68	96.09	89.09
New Zealand (23)	152.46	-2.1	139.18	147.77	152.46	-2.1	139.18	147.77	154.68	96.09	89.09
Sweden (34)	152.46	-2.1	139.18	147.77	152.46	-2.1	139.18	147.77	154.68	96.09	89.09
Switzerland (33)	152.46	-2.1	139.18	147.77	152.46	-2.1	139.18	147.77	154.68	96.09	89.09
USA (584)	127.27	-0.7	113.30	136.94	127.27	-0.7	113.30	136.94	130.02	99.78	95.26
Europe (952)	127.27	-0.7	113.30	136.94	127.27	-0.7	113.30	136.94	130.02	99.78	95.26
Pacific Basin (681)	127.27	-0.7	113.30	136.94	127.27	-0.7	113.30	136.94	130.02	99.78	95.26
Asia-Pacific (1133)	127.27	-0.7	113.30	136.94	127.27	-0.7	113.30	136.94	130.02	99.78	95.26
Latin America (713)	127.27	-0.7	113.30	136.94	127.27	-0.7	113.30	136.94	130.02	99.78	95.26
Europe Ex. UK (637)	107.80	-1.2	96.02	101.03	107.80	-1.2	96.02	101.03	109.02	98.02	96.69
Pacific Ex. Japan (225)	147.67	-0.6	140.40	147.67	147.67	-0.6	140.40	147.67	147.67	99.78	95.26
World Ex. US (1037)	127.27	-0.7	113.30	136.94	127.27	-0.7	113.30	136.94	130.02	99.78	95.26
World Ex. UK (2086)	132.04	-1.5	117.60	125.10	132.04	-1.5	117.60	125.10	130.02	99.78	95.26
World Ex. So. Af. (2360)	134.04	-1.3	119.39	126.48	134.04	-1.3	119.39	126.48	130.02	99.78	95.26
World Ex. Japan (1965)	126.20	-1.6	112.41	121.78	126.20	-1.6	112.41	121.78	130.02	99.78	95.26
The World Index (2421)	134.59	-1.3	119.70	126.59	134.59	-1.3	119.70	126.59	139.73	100.00	96.20

Base values: Dec 31, 1986 = 100

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Agreements to indices for October 14 applied to the following: Denmark, France, Spain, Sweden, Europe, Euro-Pacific, Europe Ex. UK, World Ex. US, World Ex. UK, World Ex. South Africa, World Ex. Japan and The World Index.

EUROPEAN OPTIONS EXCHANGE

Series	Nov 87				Feb 88				May 88				Stock
	Vol.	Last	Vol.	Last	Vol.	Last	Vol.	Last					
FLD C	5480	402	13.90	194	87				\$452.50				
FLD P	5480	402	13.70	194	87				"				
FLD C	3500	245	2.20	10	10.80		94	20	"				
FLD P	3500	245	2.20	10	10.80		94	20	"				
FLD C	3440	185	2.10	2	10.508				"				
FLD P	3440	185	2.10	2	10.508				"				
FLD C	3500	250	21	1	22.50				"				
Dec 87													
FLD C	3500	37	2.70						\$779				
FLD P	3500	37	2.70						"				
FLD C	3500	16	50						"				
Mar 88													
FLD C	3500	37	2.70						\$779				
FLD P	3500	37	2.70						"				
FLD C	3500	16	50						"				
Dec 87													
Dec 87													
FLD C	1,195	13	7.80	325	7.30				FL182.58				
FLD P	1,200	13	7.80	325	7.30				"				
FLD C	1,195	13	0.60	1	1.10	1.70			"				
FLD P	1,200	13	0.60	1	1.10	1.70			"				
FLD C	1,195	30	0.50	1	0.50	0.60			"				
FLD P	1,200	30	0.50	1	0.50	0.60			"				
FLD C	1,195	30	0.05	1	0.70	1.70			"				
FLD P	1,200	30	0.05	1	0.70	1.70			"				
Mar 88													
FLD C	1,195	—	—	14	3.70		7	4.30	FL182.58				
FLD P	1,200	—	—	14	3.70		7	4.30	"				
FLD C	1,195	—	—	14	4.70		7	4.30	"				
FLD P	1,200	48	4.80	—	—		—	—	"				
Dec 87													
FLD C	1,195	—	—	14	3.70		7	4.30	FL182.58				
FLD P	1,200	—	—	14	3.70		7	4.30	"				
FLD C	1,195	—	—	14	4.70		7	4.30	"				
FLD P	1,200	48	4.80	—	—		—	—	"				
Jan 88													
FLD C	1,195	—	—	14	3.70		7	4.30	FL182.58				
FLD P	1,200	—	—	14	3.70		7	4.30	"				
FLD C	1,195	—	—	14	4.70		7	4.30	"				
FLD P	1,200	48	4.80	—	—		—	—	"				
Apr 88													
FLD C	1,195	—	—	14	3.70		7	4.30	FL182.58				
FLD P	1,200	—	—	14	3.70		7	4.30	"				
FLD C	1,195	—	—	14	4.70		7	4.30	"				
FLD P	1,200	48	4.80	—	—		—	—	"				
Dec 87													
FLD C	1,195	—	—	14	3.70		7	4.30	FL182.58				
FLD P	1,200	—	—	14	3.70		7	4.30	"				
FLD C	1,195	—	—	14	4.70		7	4.30	"				
FLD P	1,200	48	4.80	—	—		—	—	"				
Jan 88													
FLD C	1,195	—	—	14	3.70		7	4.30	FL182.58				
FLD P	1,200	—	—	14	3.70		7	4.30	"				
FLD C	1,195	—	—	14	4.70		7	4.30	"				
FLD P	1,200	48	4.80	—	—		—	—	"				
Apr 88													
FLD C	1,195	—	—	14	3.70		7	4.30	FL182.58				
FLD P	1,200	—	—	14	3.70		7	4.30	"				
FLD C	1,195	—	—	14	4.70		7	4.30	"				
FLD P	1,200	48	4.80	—	—		—	—	"				
Dec 87													
FLD C	1,195	—	—	14	3.70		7	4.30	FL182.58				
FLD P	1,200	—	—	14	3.70		7	4.30	"				
FLD C	1,195	—	—	14	4.70		7	4.30	"				
FLD P	1,200	48	4.80	—	—		—	—	"				
Jan 88													
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FLD P	1,200	48	4.80	—	—		—	—	"				
Apr 88													
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FLD P	1,200	48	4.80	—	—		—	—	"				
Jan 88													
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FLD P	1,200	48	4.80	—	—		—	—	"				
Apr 88													
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FLD P	1,200	48	4.80	—	—		—	—	"				
Dec 87													
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Jan 88													
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Dec 87													
FLD C	1,195	—	—	14	3.70		7	4.30	FL182.58				
FLD P	1,200	—	—	14	3.70		7	4.30	"				
FLD C	1,195	—	—	14	4.70		7	4.30	"				
FLD P	1,200	48	4.80	—	—		—	—	"				
Jan 88													
FLD C	1,195	—	—	14	3.70		7	4.30	FL182.58				
FLD P	1,200	—	—	14	3.70		7	4.30	"				
FLD C	1,195	—	—	14	4.70		7	4.30	"				
FLD P	1,200	48	4.80	—	—		—	—	"				
Apr 88													
FLD C	1,195	—	—	14	3.70		7	4.30	FL182.58				
FLD P	1,200	—	—	14	3.70		7	4.30	"				
FLD C	1,195	—	—	14	4.70		7	4.30	"				
FLD P													

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[illegible]

AMERICANS—Continued

BUILDING. TIMBER

DRAPERY AND STORES—Cont

ENGINEERING—Continued

INDUSTRIALS—Continued

INDUSTRIALS—Continued

CANADIANS

188	Marshall's Hosiery	368	6.25
188	Maulsby's (John) 20p	339	5.7
26.12	Melrose East	200	7.0

ELECTRICALS

76	108	Chamberlin & Hill	163	40	28	3
75	983	Chewing Gum Co	790	116.5	23	2

249	132	BRA Group	236	11	125	36	1
311	225	BET	307	5	90	18	4

103	104	144 Wyborn Group Sp	141	-2	132	6
140	35	Medical Research	35			

BANKS, HP & LEASING

CHEMICALS, PLASTIC

285	160	4Corp'l. Microwave	278	2.8	4	1.4
265	170	Control Tech 10p	265	13.0	2.8	1.6
115	50	SCS Systems Elect 5p	112	1.5	—	1.8

251	Da. A' 5p	1.3	1.2	4.1
252	ML Hldg 5p	2.9	3.9	1.1

92	90	Bk. System 20p	172nd	-2	+14.0	1.9	3.0
93	277	British Visa	583	+1	106.37	3.6	1.0
95	209	B. M. B. SAT	485	-6	137.5	1.4	2.0

170	Platoon Int.	182	339	3.2
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BEERS, WINES & SPIRITS

DRAPERY AND STORE

572	372	MAK Electric	9.45	-7	12.0	2.7	3.0	1.6
660	310	MMT Consulting Sp	6.00	-	15.0	4.5	1.0	2.9

FOOD, GROCERIES, ETC

219	Diploma Sp
27	Boston Park ADP

77	Shaw Group	182	+1	25.18	1
306	Slater	471	+8	27.36	2
22	Silvestri Mfg.	176	-1	10.23	2

BUILDING, TIMBER, ROADS

42	Cam-Plex 5p	88	41.65	◆
50	Paul (L.R.) 10p	97	-3	1.0	◆
73	Cam-Plex 10p	238		46.5	◆

13	8	Winn-Dixie Corp. S&P 500	11	—	—	—	—
191	58	Winn-Dixie Corp. S&P 500	178	62.0	2.9	1.6	29

HOTELS AND CATERERS

4	273	Handing Assor.	632	17.2	4.8	1.6
52	511	Handing Assor. 5p	514	—	—	—
5	100	Handing Assor. 5p	105	1.0	1.5	1.3

[illegible]

Smith (W. H.) A 50p	415	+6	7.8	2.0
Rock Shop Inc. 5p	267	+2	RL35	3.8

ENGINEERING

INDUSTRIALS (Miscel.)

74	Black Rubber	100	1.95	2.8	2.4
25	Kalamazoo 10p	53	1.5	0	4.0

773	GRE	510	-3	-	-
437	Heath (C.E.) 20p	253	+20	+34.0	-4.4
210	Hong Rob. & Gar	225		24.99	1.4

MINES—Continued[illegible]

108	Wpacnet 12c	163	-5	02:55	73	07
109	Wpang News Radio N.Y.	164	-5	02:55	73	07
110	Wpaw-TV 10	165	-5	02:55	73	07
111	Wpaw-TV 10	166	-5	02:55	73	07
112	Wpaw-TV 10	167	-5	02:55	73	07
113	Wpaw-TV 10	168	-5	02:55	73	07
114	Wpaw-TV 10	169	-5	02:55	73	07
115	Wpaw-TV 10	170	-5	02:55	73	07
116	Wpaw-TV 10	171	-5	02:55	73	07
117	Wpaw-TV 10	172	-5	02:55	73	07
118	Wpaw-TV 10	173	-5	02:55	73	07
119	Wpaw-TV 10	174	-5	02:55	73	07
120	Wpaw-TV 10	175	-5	02:55	73	07
121	Wpaw-TV 10	176	-5	02:55	73	07
122	Wpaw-TV 10	177	-5	02:55	73	07
123	Wpaw-TV 10	178	-5	02:55	73	07
124	Wpaw-TV 10	179	-5	02:55	73	07
125	Wpaw-TV 10	180	-5	02:55	73	07
126	Wpaw-TV 10	181	-5	02:55	73	07
127	Wpaw-TV 10	182	-5	02:55	73	07
128	Wpaw-TV 10	183	-5	02:55	73	07
129	Wpaw-TV 10	184	-5	02:55	73	07
130	Wpaw-TV 10	185	-5	02:55	73	07
131	Wpaw-TV 10	186	-5	02:55	73	07
132	Wpaw-TV 10	187	-5	02:55	73	07
133	Wpaw-TV 10	188	-5	02:55	73	07
134	Wpaw-TV 10	189	-5	02:55	73	07
135	Wpaw-TV 10	190	-5	02:55	73	07
136	Wpaw-TV 10	191	-5	02:55	73	07
137	Wpaw-TV 10	192	-5	02:55	73	07
138	Wpaw-TV 10	193	-5	02:55	73	07
139	Wpaw-TV 10	194	-5	02:55	73	07
140	Wpaw-TV 10	195	-5	02:55	73	07
141	Wpaw-TV 10	196	-5	02:55	73	07
142	Wpaw-TV 10	197	-5	02:55	73	07
143	Wpaw-TV 10	198	-5	02:55	73	07
144	Wpaw-TV 10	199	-5	02:55	73	07
145	Wpaw-TV 10	200	-5	02:55	73	07
146	Wpaw-TV 10	201	-5	02:55	73	07
147	Wpaw-TV 10	202	-5	02:55	73	07
148	Wpaw-TV 10	203	-5	02:55	73	07
149	Wpaw-TV 10	204	-5	02:55	73	07
150	Wpaw-TV 10	205	-5	02:55	73	07
151	Wpaw-TV 10	206	-5	02:55	73	07
152	Wpaw-TV 10	207	-5	02:55	73	07
153	Wpaw-TV 10	208	-5	02:55	73	07
154	Wpaw-TV 10	209	-5	02:55	73	07
155	Wpaw-TV 10	210	-5	02:55	73	07
156	Wpaw-TV 10	211	-5	02:55	73	07
157	Wpaw-TV 10	212	-5	02:55	73	07
158	Wpaw-TV 10	213	-5	02:55	73	07
159	Wpaw-TV 10	214	-5	02:55	73	07
160	Wpaw-TV 10	215	-5	02:55	73	07
161	Wpaw-TV 10	216	-5	02:55	73	07
162	Wpaw-TV 10	217	-5	02:55	73	07
163	Wpaw-TV 10	218	-5	02:55	73	07
164	Wpaw-TV 10	219	-5	02:55	73	07

90	Wayer Huan SM1	1.14		0.03	0.7	0
91	Wang Huan SM1	1.14		0.03	0.7	0
92	Wang Huan SM1	1.14		0.03	0.7	0
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149	Wang Huan SM1	1.14		0.03	0.7	0

Miscellaneous						
774	Wang Huan SM1	1.14		0.03	0.7	0
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899	Wang Huan SM1	1.14		0.03	0.7	0
900	Wang Huan SM1	1.14		0.03	0.7	0

1987		1986		1985		1984		1983		1982		1981		1980		1979		1978		1977		1976		1975		1974		1973		1972		1971		1970		1969		1968		1967		1966		1965		1964		1963		1962		1961		1960		1959		1958		1957		1956		1955		1954		1953		1952		1951		1950		1949		1948		1947		1946		1945		1944		1943		1942		1941		1940		1939		1938		1937		1936		1935		1934		1933		1932		1931		1930		1929		1928		1927		1926		1925		1924		1923		1922		1921		1920		1919		1918		1917		1916		1915		1914		1913		1912		1911		1910		1909		1908		1907		1906		1905		1904		1903		1902		1901		1900		1899		1898		1897		1896		1895		1894		1893		1892		1891		1890		1889		1888		1887		1886		1885		1884		1883		1882		1881		1880		1879		1878		1877		1876		1875		1874		1873		1872		1871		1870		1869		1868		1867		1866		1865		1864		1863		1862		1861		1860		1859		1858		1857		1856		1855		1854		1853		1852		1851		1850		1849		1848		1847		1846		1845		1844		1843		1842		1841		1840		1839		1838		1837		1836		1835		1834		1833		1832		1831		1830		1829		1828		1827		1826		1825		1824		1823		1822		1821		1820		1819		1818		1817		1816		1815		1814		1813		1812		1811		1810		1809		1808		1807		1806		1805		1804		1803		1802		1801		1800		1799		1798		1797		1796		1795		1794		1793		1792		1791		1790		1789		1788		1787		1786		1785		1784		1783		1782		1781		1780		1779		1778		1777		1776		1775		1774		1773		1772		1771		1770		1769		1768		1767		1766		1765		1764		1763		1762		1761		1760		1759		1758		1757		1756		1755		1754		1753		1752		1751		1750		1749		1748		1747		1746		1745		1744		1743		1742		1741		1740		1739		1738		1737		1736		1735		1734		1733		1732		1731		1730		1729		1728		1727		1726		1725		1724		1723		1722		1721		1720		1719		1718		1717		1716		1715		1714		1713		1712		1711		1710		1709		1708		1707		1706		1705		1704		1703		1702		1701		1700		1699		1698		1697		1696		1695		1694		1693		1692		1691		1690		1689		1688		1687		1686		1685		1684		1683		1682		1681		1680		1679		1678		1677		1676		1675		1674		1673		1672		1671		1670		1669		1668		1667		1666		1665		1664		1663		1662		1661		1660		1659		1658		1657		1656		1655		1654		1653		1652		1651		1650		1649		1648		1647		1646		1645		1644		1643		1642		1641		1640		1639		1638		1637		1636		1635		1634		1633		1632		1631		1630		1629		1628		1627		1626		1625		1624		1623		1622		1621		1620		1619		1618		1617		1616		1615		1614		1613		1612		1611		1610		1609		1608		1607		1606		1605		1604		1603		1602		1601		1600		1599		1598		1597		1596		1595		1594		1593		1592		1591		1590		1589		1588		1587		1586		1585		1584		1583		1582		1581		1580		1579		1578		1577		1576		1575		1574		1573		1572		1571		1570		1569		1568		1567		1566		1565		1564		1563		1562		1561		1560		1559		1558		1557		1556		1555		1554		1553		1552		1551		1550		1549		1548		1547		1546		1545		1544		1543		1542		1541		1540		1539		1538		1537		1536		1535		1534		1533		1532		1531		1530		1529		1528		1527		1526		1525		1524		1523		1522		1521		1520		1519		1518		1517		1516		1515		1514		1513		1512		1511		1510		1509		1508		1507		1506		1505		1504		1503		1502		1501		1500		1499		1498		1497		1496		1495		1494		1493		1492		1491		1490		1489		1488		1487		1486		1485		1484		1483		1482		1481		1480		1479		1478		1477		1476		1475		1474		1473		1472		1471		1470		1469		1468		1467		1466		1465		1464		1463		1462		1461		1460		1459		1458		1457		1456		1455		1454		1453		1452		1451		1450		1449		1448		1447		1446		1445		1444		1443		1442		1441		1440		1439		1438		1437		1436		1435		1434		1433		1432		1431		1430		1429		1428		1427		1426		1425		1424		1423		1422		1421		1420		1419		1418		1417		1416		1415		1414		1413		1412		1411		1410		1409		1408		1407		1406		1405		1404		1403		1402		1401		1400		1399		1398		1397		1396		1395		1394		1393		1392		1391		1390		1389		1388		1387		1386		1385		1384		1383		1382		1381		1380		1379		1378		1377		1376		1375		1374		1373		1372		1371		1370		1369		1368		1367		1366		1365		1364		1363		1362		1361		1360		1359		1358		1357		1356		1355		1354		1353		1352		1351		1350		1349		1348		1347		1346		1345		1344		1343		1342		1341		1340		1339		1338		1337		1336		1335		1334		1333		1332		1331		1330		1329		1328		1327		1326		1325		1324		1323		1322		1321		1320		1319		1318		1317		1316		1315		1314		1313		1312		1311		1310		1309		1308		1307		1306		1305		1304		1303		1302		1301		1300		1299		1298		1297		1296		1295		1294		1293		1292		1291		1290		1289		1288		1287		1286		1285		1284		1283		1282		1281		1280		1279		1278		1277		1276		1275		1274		1273		1272		1271		1270		1269		1268		1267		1266		1265		1264		1263		1262		1261		1260		1259		1258		1257		1256		1255		1254		1253		1252		1251		1250		1249		1248		1247		1246		1245		1244		1243		1242		1241		1240		1239		1238		1237		1236		1235		1234		1233		1232		1231		1230		1229		1228		1227		1226		1225		1224		1223		1222		1221		1220		1219		1218		1217		1216		1215		1214		1213		1212		1211		1210		1209		1208		1207		1206		1205		1204		1203		1202		1201		1200		1199		1198		1197		1196		1195		1194		1193		1192		1191		1190		1189		1188		1187		1186		1185		1184		1183		1182		1181		1180		1179		1178		1177		1176		1175		1174		1173		1172		1171		1170		1169		1168		1167		1166		1165		1164		1163		1162		1161		1160		1159		1158		1157		1156		1155		11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74	Wholesale Food (H2)	92	-	-	-
75	Wholesale Trade (H2)	92	-	-	-
76	Publications (H2)	92	-	-	-
77	Transportation (H2)	92	-	-	-
78	Utilities (H2)	92	-	-	-
79	WFL Group 1	1983	1.0	1.9	1.7
80	WFL Group 2	1983	1.0	2.0	2.0
81	WFL Group 3	1983	1.0	2.3	2.3
82	WFL Group 4	1983	1.0	2.3	2.3

NOTES

Notes otherwise indicated, prices and per cent dividends are in pence and cents respectively are 25p. Labour cost per working hour and cost of materials are based on latest annual reports and estimates, and, where possible, are based on half-yearly figures. PPS are calculated on "PPS distribution" basis, which is being used for the first time. The following table shows the relative ACT where applicable; brackets indicate PPS indicate 100% and the difference is calculated on "PPS distribution" basis. Divisors are listed on "Transformer" distribution. This measure gives different costs per unit after taxation, considering exceptional prepayments, but includes the effect of depreciation. Yields are based on the following assumptions: gross, adjusted to ACT of 27 per cent and allow for value of depreciation and credits.

UNIT STATES

Highs and Lows indicate that have been adjusted to allow for right

[illegible][illegible]

Following is a selection of Regional and Irish stocks, the latter being quoted in Irish currency.		Latter being quoted in Irish currency.	
Monday Jan 20	98	3.94	9702
Tuesday Jan 21	113		Armoets
Wednesday Jan 22	716	-1	CPI Wages
Thursday Jan 23	716		Conrad Index
Friday Jan 24	716		Dublin Gas
Saturday Jan 25	716		Hall (H. J.)
Sunday Jan 26	716	+30	Hall (H. J.)
Monday Jan 27	716		Hall (H. J.)
Tuesday Jan 28	716		Hall (H. J.)
Wednesday Jan 29	716		Hall (H. J.)
Thursday Jan 30	716		Hall (H. J.)
Friday Jan 31	716		Hall (H. J.)
Saturday Feb 1	716		Hall (H. J.)
Sunday Feb 2	716		Hall (H. J.)
Monday Feb 3	716		Hall (H. J.)
Tuesday Feb 4	716		Hall (H. J.)
Wednesday Feb 5	716		Hall (H. J.)
Thursday Feb 6	716		Hall (H. J.)
Friday Feb 7	716		Hall (H. J.)
Saturday Feb 8	716		Hall (H. J.)
Sunday Feb 9	716		Hall (H. J.)
Monday Feb 10	716		Hall (H. J.)
Tuesday Feb 11	716		Hall (H. J.)
Wednesday Feb 12	716		Hall (H. J.)
Thursday Feb 13	716		Hall (H. J.)
Friday Feb 14	716		Hall (H. J.)
Saturday Feb 15	716		Hall (H. J.)
Sunday Feb 16	716		Hall (H. J.)
Monday Feb 17	716		Hall (H. J.)
Tuesday Feb 18	716		Hall (H. J.)
Wednesday Feb 19	716		Hall (H. J.)
Thursday Feb 20	716		Hall (H. J.)
Friday Feb 21	716		Hall (H. J.)
Saturday Feb 22	716		Hall (H. J.)
Sunday Feb 23	716		Hall (H. J.)
Monday Feb 24	716		Hall (H. J.)
Tuesday Feb 25	716		Hall (H. J.)
Wednesday Feb 26	716		Hall (H. J.)
Thursday Feb 27	716		Hall (H. J.)
Friday Feb 28	716		Hall (H. J.)
Saturday Feb 29	716		Hall (H. J.)
Sunday Feb 30	716		Hall (H. J.)

backpack	52	RHW	50
bad	32	Rank Dg Ord	70
bad	32	Reed Intnl	50
bad	32	STC	30
bad	32	Scores	18
bad	32	TI	37
bad	32	TSE	15
bad	32	Tesco	12
bad	32	Thom EMI	65
bad	32	Trent Houses	75
bad	32	TGN	25
bad	32	Unleaver	62
bad	32	Vickers	62
bad	32	Wellcoms	62
bad	32	Property	
bad	32	Brit Land	30
bad	32	Land Securities	60
bad	32	MEPC	30
bad	32	NS 'A'	40
bad	32	Petrolchem	
bad	32	Bills	
bad	32	Brit Petrochem	32
bad	32	Brunei	32
bad	32	Burmah Oil	32

Barclays	45	Premier	125
Bat & Den	32	Shell	135
Bayer	45	Tricentral	11
Beaumont	45	Ultramar	26
Boys Bank	75		
Can Ind	75	Wales	
Chambers & Spencer	25	Corn Gold	125
Clarendon Bk	55	Loehrs	20
Compton Grenfell	55	Rug 1 Zone	100

A selection of Options traded is given on the London Stock Exchange Report Page.

WORLD STOCK MARKETS

AUSTRIA

Stock	Price	Change
Alpine	12.50	+0.25
Bank Austria	12.50	+0.25
Ernst & Young	12.50	+0.25
Industriewerk	12.50	+0.25
Österreichische	12.50	+0.25
Postbank	12.50	+0.25
Salzburger	12.50	+0.25
Steirische	12.50	+0.25
Wiener	12.50	+0.25
Wolfsberger	12.50	+0.25

BELGIUM/LUXEMBOURG

Stock	Price	Change
ABN AMRO	12.50	+0.25
Alcatel	12.50	+0.25
Bank of Belgium	12.50	+0.25
Bois de France	12.50	+0.25
Bois de Luxembourg	12.50	+0.25
Bois de Paris	12.50	+0.25
Bois de Rome	12.50	+0.25
Bois de Tokyo	12.50	+0.25
Bois de Zurich	12.50	+0.25
Bois de London	12.50	+0.25

DENMARK

Stock	Price	Change
Carlsberg	12.50	+0.25
Danish Bank	12.50	+0.25
Imperial	12.50	+0.25
Novo Nordisk	12.50	+0.25
Orsted	12.50	+0.25
Rejso	12.50	+0.25
Statens	12.50	+0.25
Tele Danmark	12.50	+0.25
Unifarm	12.50	+0.25
Wendelbo	12.50	+0.25

FINLAND

Stock	Price	Change
Alkon	12.50	+0.25
Bank of Finland	12.50	+0.25
Carlsberg	12.50	+0.25
Imperial	12.50	+0.25
Novo Nordisk	12.50	+0.25
Orsted	12.50	+0.25
Rejso	12.50	+0.25
Statens	12.50	+0.25
Tele Danmark	12.50	+0.25
Unifarm	12.50	+0.25

FRANCE

Stock	Price	Change
Alcatel	12.50	+0.25
Bank of France	12.50	+0.25
Bois de France	12.50	+0.25
Bois de Luxembourg	12.50	+0.25
Bois de Paris	12.50	+0.25
Bois de Rome	12.50	+0.25
Bois de Tokyo	12.50	+0.25
Bois de Zurich	12.50	+0.25
Bois de London	12.50	+0.25
Bois of New York	12.50	+0.25

GERMANY

Stock	Price	Change
Alcatel	12.50	+0.25
Bank of Germany	12.50	+0.25
Bois de Germany	12.50	+0.25
Bois of Luxembourg	12.50	+0.25
Bois of Paris	12.50	+0.25
Bois of Rome	12.50	+0.25
Bois of Tokyo	12.50	+0.25
Bois of Zurich	12.50	+0.25
Bois of London	12.50	+0.25
Bois of New York	12.50	+0.25

ITALY

Stock	Price	Change
Alcatel	12.50	+0.25
Bank of Italy	12.50	+0.25
Bois of Italy	12.50	+0.25
Bois of Luxembourg	12.50	+0.25
Bois of Paris	12.50	+0.25
Bois of Rome	12.50	+0.25
Bois of Tokyo	12.50	+0.25
Bois of Zurich	12.50	+0.25
Bois of London	12.50	+0.25
Bois of New York	12.50	+0.25

NETHERLANDS

Stock	Price	Change
Alcatel	12.50	+0.25
Bank of Netherlands	12.50	+0.25
Bois of Netherlands	12.50	+0.25
Bois of Luxembourg	12.50	+0.25
Bois of Paris	12.50	+0.25
Bois of Rome	12.50	+0.25
Bois of Tokyo	12.50	+0.25
Bois of Zurich	12.50	+0.25
Bois of London	12.50	+0.25
Bois of New York	12.50	+0.25

NORWAY

Stock	Price	Change
Alcatel	12.50	+0.25
Bank of Norway	12.50	+0.25
Bois of Norway	12.50	+0.25
Bois of Luxembourg	12.50	+0.25
Bois of Paris	12.50	+0.25
Bois of Rome	12.50	+0.25
Bois of Tokyo	12.50	+0.25
Bois of Zurich	12.50	+0.25
Bois of London	12.50	+0.25
Bois of New York	12.50	+0.25

SPAIN

Stock	Price	Change
Alcatel	12.50	+0.25
Bank of Spain	12.50	+0.25
Bois of Spain	12.50	+0.25
Bois of Luxembourg	12.50	+0.25
Bois of Paris	12.50	+0.25
Bois of Rome	12.50	+0.25
Bois of Tokyo	12.50	+0.25
Bois of Zurich	12.50	+0.25
Bois of London	12.50	+0.25
Bois of New York	12.50	+0.25

SWEDEN

Stock	Price	Change
Alcatel	12.50	+0.25
Bank of Sweden	12.50	+0.25
Bois of Sweden	12.50	+0.25
Bois of Luxembourg	12.50	+0.25
Bois of Paris	12.50	+0.25
Bois of Rome	12.50	+0.25
Bois of Tokyo	12.50	+0.25
Bois of Zurich	12.50	+0.25
Bois of London	12.50	+0.25
Bois of New York	12.50	+0.25

SWITZERLAND

Stock	Price	Change
Alcatel	12.50	+0.25
Bank of Switzerland	12.50	+0.25
Bois of Switzerland	12.50	+0.25
Bois of Luxembourg	12.50	+0.25
Bois of Paris	12.50	+0.25
Bois of Rome	12.50	+0.25
Bois of Tokyo	12.50	+0.25
Bois of Zurich	12.50	+0.25
Bois of London	12.50	+0.25
Bois of New York	12.50	+0.25

AUSTRALIA

Stock	Price	Change
Alcatel	12.50	+0.25
Bank of Australia	12.50	+0.25
Bois of Australia	12.50	+0.25
Bois of Luxembourg	12.50	+0.25
Bois of Paris	12.50	+0.25
Bois of Rome	12.50	+0.25
Bois of Tokyo	12.50	+0.25
Bois of Zurich	12.50	+0.25
Bois of London	12.50	+0.25
Bois of New York	12.50	+0.25

AUSTRALIA (Continued)

Stock	Price	Change
Alcatel	12.50	+0.25
Bank of Australia	12.50	+0.25
Bois of Australia	12.50	+0.25
Bois of Luxembourg	12.50	+0.25
Bois of Paris	12.50	+0.25
Bois of Rome	12.50	+0.25
Bois of Tokyo	12.50	+0.25
Bois of Zurich	12.50	+0.25
Bois of London	12.50	+0.25
Bois of New York	12.50	+0.25

JAPAN (Continued)

Stock	Price	Change
Alcatel	12.50	+0.25
Bank of Japan	12.50	+0.25
Bois of Japan	12.50	+0.25
Bois of Luxembourg	12.50	+0.25
Bois of Paris	12.50	+0.25
Bois of Rome	12.50	+0.25
Bois of Tokyo	12.50	+0.25
Bois of Zurich	12.50	+0.25
Bois of London	12.50	+0.25
Bois of New York	12.50	+0.25

HONG KONG

Stock	Price	Change
Alcatel	12.50	+0.25
Bank of Hong Kong	12.50	+0.25
Bois of Hong Kong	12.50	+0.25
Bois of Luxembourg	12.50	+0.25
Bois of Paris	12.50	+0.25
Bois of Rome	12.50	+0.25
Bois of Tokyo	12.50	+0.25
Bois of Zurich	12.50	+0.25
Bois of London	12.50	+0.25
Bois of New York	12.50	+0.25

JAPAN

Stock	Price	Change
Alcatel	12.50	+0.25
Bank of Japan	12.50	+0.25
Bois of Japan	12.50	+0.25
Bois of Luxembourg	12.50	+0.25
Bois of Paris	12.50	+0.25
Bois of Rome	12.50	+0.25
Bois of Tokyo	12.50	+0.25
Bois of Zurich	12.50	+0.25
Bois of London	12.50	+0.25
Bois of New York	12.50	+0.25

JAPAN (Continued)

Stock	Price	Change
Alcatel	12.50	+0.25
Bank of Japan	12.50	+0.25
Bois of Japan	12.50	+0.25
Bois of Luxembourg	12.50	+0.25
Bois of Paris	12.50	+0.25
Bois of Rome	12.50	+0.25
Bois of Tokyo	12.50	+0.25
Bois of Zurich	12.50	+0.25
Bois of London	12.50	+0.25
Bois of New York	12.50	+0.25

SINGAPORE

Stock	Price	Change
Alcatel	12.50	+0.25
Bank of Singapore	12.50	+0.25
Bois of Singapore	12.50	+0.25
Bois of Luxembourg	12.50	+0.25
Bois of Paris	12.50	+0.25
Bois of Rome	12.50	+0.25
Bois of Tokyo	12.50	+0.25
Bois of Zurich	12.50	+0.25
Bois of London	12.50	+0.25
Bois of New York	12.50	+0.25

SOUTH AFRICA

Stock	Price	Change
Alcatel	12.50	+0.25
Bank of South Africa	12.50	+0.25
Bois of South Africa	12.50	+0.25
Bois of Luxembourg	12.50	+0.25
Bois of Paris	12.50	+0.25
Bois of Rome	12.50	+0.25
Bois of Tokyo	12.50	+0.25
Bois of Zurich	12.50	+0.25
Bois of London	12.50	+0.25
Bois of New York	12.50	+0.25

CANADA

TORONTO

Closing prices October 15

Stock	Price	Change
Alcatel	12.50	+0.25
Bank of Canada	12.50	+0.25
Bois of Canada	12.50	+0.25
Bois of Luxembourg	12.50	+0.25
Bois of Paris	12.50	+0.25
Bois of Rome	12.50	+0.25
Bois of Tokyo	12.50	+0.25
Bois of Zurich	12.50	+0.25
Bois of London	12.50	+0.25
Bois of New York	12.50	+0.25

CANADA

TORONTO

Closing prices October 15

Stock	Price	Change
Alcatel	12.50	+0.25
Bank of Canada	12.50	+0.25
Bois of Canada	12.50	+0.25
Bois of Luxembourg	12.50	+0.25
Bois of Paris	12.50	+0.25
Bois of Rome	12.50	+0.25
Bois of Tokyo	12.50	+0.25
Bois of Zurich	12.50	+0.25
Bois of London	12.50	+0.25
Bois of New York	12.50	+0.25

CANADA

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Bois of Rome	12.50	+0.25
Bois of Tokyo	12.50	+0.25
Bois of Zurich	12.50	+0.25
Bois of London	12.50	+0.25
Bois of New York	12.50	+0.25

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Bois of Rome	12.50	+0.25
Bois of Tokyo	12.50	+0.25
Bois of Zurich	12.50	+0.25
Bois of London	12.50	+0.25
Bois of New York	12.50	+0.25

CANADA

TORONTO

Closing prices October 15

Stock	Price	Change
Alcatel	12.50	+0.25
Bank of Canada	12.50	+0.25
Bois of Canada	12.50	+0.25
Bois of Luxembourg	12.50	+0.25
Bois of Paris	12.50	+0.25
Bois of Rome	12.50	+0.25
Bois of Tokyo	12.50	+0.25
Bois of Zurich	12.50	+0.25
Bois of London	12.50	+0.25
Bois of New York	12.50	+0.25

MONTREAL

Closing prices October 15

Stock	Price	Change
Alcatel	12.50	+0.25
Bank of Montreal	12.50	+0.25
Bois of Montreal	12.50	+0.25
Bois of Luxembourg	12.50	+0.25
Bois of Paris	12.50	+0.25
Bois of Rome	12.50	+0.25
Bois of Tokyo	12.50	+0.25
Bois of Zurich	12.50	+0.25
Bois of London	12.50	+0.25
Bois of New York	12.50	+0.25

Indices

NEW YORK

DOW JONES

Index	Value	Change
Dow Jones	2,850.00	+10.00
S&P 500	2,850.00	+10.00
NASDAQ	2,850.00	+10.00
NYSE	2,850.00	+10.00
AMEX	2,850.00	+10.00
NYSE	2,850.00	+10.00
AMEX	2,850.00	+10.00
NYSE	2,850.00	+10.00
AMEX	2,850.00	+10.00
NYSE	2,850.00	+10.00

NEW YORK

Marlboro

10 CLASS A CIGARETTES

Continued on Page 42

FINANCIAL TIMES

WORLD STOCK MARKETS

AMERICA

Wave of selling sends Dow sharply lower

WALL STREET

A WAVE of last-minute selling, both by computers and by disillusioned institutional investors, sent Wall Street into a nosedive for the second day running, writes *Roderick Oram* in New York. The day ended with one of the worst half-hour sell-offs in Wall Street's history, as the Dow Jones industrial average plunged more than 50 points in roughly 20 minutes.

The Dow closed down 57.61 points at 2,355.08, after showing small gains for most of the afternoon. Trading volume, at 385.16m shares, was the fourth heaviest on record, as bulls and bears wrestled throughout most of the day to give the market direction.

An increase in the prime rate by Chemical Bank, followed by unsettling comments about the dollar and US-German economic relations from Mr. James Baker, the US Treasury Secretary, also kept bears in the ascendant in the bond market.

Bonds continued to fall from the opening, building on their steep losses triggered the previous day by a big US trade deficit. However, earlier than usual overnight repurchases were seen as a signal that the Fed would not raise its discount rate soon. By late afternoon the benchmark 6.75 per cent Treasury bond recovered to a loss of 1/2 point at 97 1/2 to yield 10.21 per cent.

Shares fell across the board in the last half hour, despite a period of positive trading around mid-day. Trading was extremely heavy from the opening amid signs institutional investors were beginning to sell. A near record volume of shares was changing hands from the first hour of the New York Stock Exchange session.

Among blue-chip reports issued this quarter, Coca-Cola fell 5 1/2% to \$43 1/2 and Philip Morris fell 5 1/2% to \$105 1/2.

A number of drug stocks turned in sharply higher profits with a mixed effect on their stock prices. Merck lost 1 1/2% to \$180 1/2, Upjohn fell 1 1/2% to \$37 1/2 and Warner Lambert lost 1 1/2% to \$70 1/2.

Two Bell regional telephone companies continued their trend of better earnings. American Bell rose 1 1/2% to \$88 1/2 and Pacific Telesis added 1 1/2% to \$23 1/2. AT&T fell 1 1/2% to \$34 1/2 and WorldCom fell 1 1/2% to \$51 1/2.

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spinning off of the regional telephone companies.

The computer sector fell, despite strong earnings reports from Digital Equipment, down 5 1/2% to \$177 1/2, and Apple down 5 1/2% to \$52. Control Data, up 1 1/2% to \$35, announced a new line of low-priced supercomputers.

Higher profits failed to lift a number of stocks. PPG Industries was off 1 1/2% to \$42 1/2, despite, in addition, a dividend increase to 30 cents a share from 27 cents.

Credit markets opened with further sharp falls in bond prices which added almost two more points to the 2 1/2 point drop on Wednesday. The slide was reversed when it supplied reserves to the banking system earlier in the day than usual.

The markets seized on this as a sign the Fed was not intending to boost its discount rate from 6% soon, as previously expected. This would mean that bonds had been oversold in recent days by an anxious market.

"This was intervention with a message," said Mr. James Winder, an economist with Merrill Lynch. The Fed is showing it is satisfied with its current monetary policy and therefore it "doesn't want to lead the way to higher interest rates. They don't want to tighten further."

Some analysts doubted the interpretation, believing that at most the Fed was only making overnight repurchases to make money available for Treasury securities payments due yesterday. The Fed was only trying to signal that it is aware that technical factors are putting upward pressure on the Fed funds rate which was trading at 7 1/4 per cent when the Fed announced the repurchases.

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Brussels sinks as Martens resigns

THE BELGIAN stock market fell sharply yesterday on news that Prime Minister Wilfried Martens had tendered his resignation to the King. Share prices tumbled on average 2 to 3 per cent during the session, though analysts pointed out that the setback on Wall Street which affected other European Bourses was also a significant factor. "At least we did better than Paris," one said.

Investor sentiment in the next few days is likely to be influenced by whether or not King Baudouin accepts Mr. Martens' not wholly unexpected request. If he does, there will certainly be a lengthy period of uncertainty, probably fresh elections, and the possibility of a new coalition less committed (ideologically at least) to the present policies of budget cuts and fiscal reform.

The stock market has been in a nervous mood since the summer holidays, when prices peaked around 30 per cent (income reinvested) above their level at the beginning of the year. Foreign investors had been buying heavily, helping to push up prices, but the drift since early September - in the order of 10 per cent overall - has stemmed from a feeling that the earlier enthusiasm had been overdone.

Yesterday's falls were across the board in active trading, with the Brussels stock index down 11 1/2 points at 4,639 by the close. Petrofina, the major oil exploration group, was off 2 1/2% at \$F12.20, whilst another favourite with international investors, the chemical concern Solvay, fell from \$F14.75 to \$F13.90.

Société Générale de Belgique, the country's biggest industrial and commercial holding company which was the subject of leveraged bid speculation earlier this year, was down from \$F15.50 to \$F14.50.

The utilities sector, notably Intercommunale des Eaux, was hit hardest, most, but industrial stocks such as Glaxo and Ralston-Heinz also escaped more lightly.

Most sympathy, however, should be reserved for Tractebel, the energy and telecommunications group which chose yesterday to unveil the details of its forthcoming rights issue. The company's share price plunged \$F1.00 to \$F7.10.

Tim Dickson

EUROPE

Paris battered by host of poor economic signals

THE LONG shadow of Wall Street cast gloom over Europe yesterday as markets reeled after Wednesday's biggest one-day fall in New York.

Paris slumped in active, nervous trading as a spate of weak economic indicators sent stocks sharply lower. The CAC index lost 21 1/2, or 4.34 per cent, to 388.1.

The downward spiral began with the announcement of a 0.1 per cent rise in France's provisional consumer price index for September. This was followed by the release of a FF2.2bn adjusted foreign trade deficit for September, compared to FF1.1bn in August. Wall Street's plunge also knocked the badly shaken market.

The wave of selling affected bank issues, which have been sagging since the start of the week. Via Banque dropped FF5 to FF4.41 and UFB fell FF4.7 to FF4.15. Paris-based FF14.50 to FF10.50, slipping below its FF10.50 issue price for the first time since the bank's successful privatisation in February.

Among blue-chip industrial issues, Peugeot fell FF4.3 to FF4.35 and Michelin followed with a FF1.9 downturn to FF2.71. Thomson-CSF figured among weak electronics issues with a FF1.40 retreat to FF1.10.

Frankfurt tumbled in reaction to Wall Street's record overnight decline. Many blue chips lost as much as 2 per cent and a few stocks dropped by up to 4 per cent.

The Commerzbank index lost 44.3 to 1,902.6 as the sell-off hit all sectors.

Financial shares were struck down by the plunge in New York and by continuing fears of higher interest rates in the wake of plans to introduce a 10 per cent withholding tax.

Deutsche bank to DM845, down DM23. Dresdner dropped DM13.30 to DM33.4 and Commerzbank was down DM5.50 to DM281.50.

Chemicals fared little better, with Bayer plunging DM9.50 to DM35.7, BASF losing DM3.40 to DM236.10 and Hoechst falling DM7.90 to DM318.30.

Among generally lower banks, Union Bank shed SF9.90 to SF9.20. Credit Suisse was down SF1.40 to SF1.45.

In the financial sector, Adia was SF7.5 lower at SF12.825 and Acom gave up SF1.00 to SF1.900.

Helvetic climbed to a second consecutive record, buoyed by continuing domestic optimism. The United

Swiss index lost 6.1 to 822.3 in moderate volume.

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LONDON

UK SECURITIES markets were heavily shaken by the setback on Wall Street overnight. Loans were extended when New York opened lower but were quickly reduced when the transatlantic market turned better.

As the close, the FT-SE 100 index was a net 21 down at 2,281.4, and the FT Ordinary Index lost 21 1/2 to 1,512.9.

Bonds came under heavy pressure when long yields failed to hold at 10 1/4 per cent. However, prices steadied towards the close. Details, Page 44

Linotype was quoted on its first day of official trading at DM200 against its DM200 offer price.

Bonds fell, and the Bundesbank bought DM12.5m worth of public paper after selling DM70.4m on Wednesday. The average yield rose to 6.75 per cent, the highest level since October 1985.

Austrian shares tumbled across the board as the market came under pressure from Wall Street's plunge a day earlier, the soft dollar and fears for higher interest rates.

The ANF-CBS general index fell below the 300 threshold, dropping 11.6 to 290.3 in moderate trade.

Dollar-sensitive blue-chips swung erratically as professionalised squared positions before Friday's expiry date for contracts on the European Options exchange.

Zurich displayed some resistance to the steep fall on Wall Street and although bonds were paying higher interest, investors still showed willingness to buy shares. The Credit Suisse index lost 6.1 to 822.3 in moderate volume.

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ASIA

Exporters lead sell-off as yen's rise adds to woes

TOKYO

WALL STREET's overnight plunge, the tightening of margin trading controls and the yen's rise against the dollar sparked a wave of selling in Tokyo yesterday and drove share prices sharply lower, writes *Shigeo Matsushita* of Jiji Press.

The Nikkei average of 225 issues sank 218.21 to 26,428.22 and volume slumped to 822.89m shares from Wednesday's 1,401.81m. Declined advances by 585 to 309, with 114 issues unchanged.

On Wednesday, the Dow Jones industrial average suffered its biggest single-day loss following the announcement of a larger-than-expected August trade deficit.

The Tokyo market opened lower almost across the board. At mid-morning, dealers placed buy orders for capital stocks and high-technology issues, helping the market recoup some early losses.

In afternoon trading, the yen's surge to ¥141 to the dollar triggered another wave of selling which centred on export-oriented electronics and other high-technology stocks.

NEC lost ¥110 to ¥2,450. Matsushita Electric Industrial declined ¥80 to ¥2,680 and Sony fell ¥220 to ¥2,300. Precision instruments and motors fared poorly, with Toyota Motor shedding ¥80 to ¥2,280. Fuji Photo Film ¥70 to ¥2,450 and Canon down ¥80 to ¥2,180.

Recently selected heavy electricals also lost ground. Toshiba fell ¥33 to ¥887 and Hitachi ended ¥80 lower at ¥1,480.

Large-cap stocks, which had led the capital market rally since the decline of Nippon Steel, were again the most active group. It closed ¥3 lower at ¥45. Mitsubishi Heavy Industries, the second-most-active stock with 28.3m shares traded, lost ¥16 to ¥705, while Kawasaki Steel, third with 24.3m shares, closed ¥8 lower at ¥338.

Power and gas utilities turned down. Tokyo Electric Power shed ¥180 to ¥7,780 and Tokyo Gas was off ¥40 to ¥1,880.

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